

**AUDITED FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTAL INFORMATION
OTHER FINANCIAL INFORMATION
AND SUPPLEMENTAL REPORTS**

GOGEBIC COUNTY, MICHIGAN

December 31, 2007

Auditing Procedures Report

Reset Form

Email

Issued under Public Act 2 of 1968, as amended.

Unit Name	GOGEBIC COUNTY	County	GOGEBIC	Type	COUNTY	MuniCode	27-0-000
Opinion Date-Use Calendar	Jun 24, 2008	Audit Submitted-Use Calendar	Jun 30, 2008	Fiscal Year-Use Drop List	2007		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 5,475,334.00
General Fund Expenditure:	\$ 5,435,482.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 686,872.00
Governmental Activities Long-Term Debt (see instructions):	\$ 461,660.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	DEAN	Last Name	BEAUDOIN	Ten Digit License Number	1101014194		
CPA Street Address	301 N SUFFOLK ST	City	IRONWOOD	State	MI	Zip Code	49938
CPA Firm Name	JOKI MAKELA & POLLACK	Unit's Street Address	200 N MOORE ST	City	BESSEMER	LU Zip	49911

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JOKI, MAKELA & POLLACK, P.L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
301 N. SUFFOLK STREET
IRONWOOD, MICHIGAN 49938-2027

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners
Gogebic County, Michigan
Bessemer, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Gogebic County, Michigan as of and for the year ended December 31, 2007, which collectively comprise the basic financial statements of Gogebic County, Michigan, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and with the standards prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Gogebic County, Michigan as of December 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 24, 2008, on our consideration of Gogebic County, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit

performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 14 and page 77 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gogebic County, Michigan's basic financial statements. The accompanying Other Financial Information and the Schedule of Airport Passenger Facility Charges Collected and Expended are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Gogebic County, Michigan. The Other Financial Information and the Schedule of Airport Passenger Facility Charges Collected and Expended and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Joti, Mahela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
June 24, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2007

Management's Discussion and Analysis

This section of the Gogebic County, Michigan's (County) annual financial report presents our discussion and analysis of the County's financial performance during the year ended December 31, 2007. It is to be read in conjunction with the County's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments* and is intended to provide the financial results for the fiscal year ending December 31, 2007.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the County as a whole. The statements are prepared using the accrual method of accounting which is the accounting method used by most private sector businesses. The statement of net assets includes all of the County's assets and liabilities except the fiduciary funds. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental and business-type activities and component units of the County that include all services performed by the County. These activities are funded primarily by property taxes, charges for services and by federal and state grants.

The statement of net assets shows the County's assets and liabilities. The corresponding balance between the assets and liabilities equals the net assets or deficit of the County. A deficit occurs when there are more liabilities than there are assets to pay those liabilities. This statement measures the financial strength of the County; the greater the net asset figure, the healthier the financial position of the County generally is. It helps management determine if the County will be able to fund current obligations and whether they have resources available for future use.

The statement of activities shows the current year change in net assets on a revenue less expenditure basis. It generally shows the operating results for a given year of the County. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the County.

Fund Financial Statements

The County's fund financial statements show detail of funds that are determined to be significant, called major funds. The funds that are separately stated as major funds are the General Fund, Revenue Sharing Reserve Fund, Medical Care Facility, Airport Funds and Forestry and Parks Commission. All other funds are considered nonmajor and are reported as one column.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fund Financial Statements (Continued)

Governmental funds are reported in the fund financial statements and contain nearly the same functions reported as governmental activities in the government-wide financial statements. However, the fund statements provide a different view of the County's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Proprietary funds are reported in the fund financial statements and generally report services for which the County charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. Enterprise funds basically include the same functions reported as business-type activities in government-wide financial statements. Internal service funds are used to account for monies advanced by the County to pay the County and other local taxing units for their delinquent real property taxes. Because the County's internal service funds primarily serve governmental functions, they are included within the governmental activities of the government-wide financial statements.

Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for major enterprise funds. Individual fund information for internal service funds and non-major enterprise funds is found in combining statements in a later section of this report.

Fiduciary funds such as the employee pension plans are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund County programs. Fiduciary fund financial statements report similarly to proprietary funds.

Government-wide Financial Statements – Condensed Financial Information

Statement of Net Assets

The following are condensed statements of net assets with a detailed analysis of the statements below.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Net Assets (Continued)

	December 31, 2007			
	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and investments	\$ 4,970,044	\$ 1,199,128	\$ 6,169,172	\$ 1,788,501
Accounts receivable	1,336,044	864,126	2,200,170	1,209,109
Other current assets	<u>22,124</u>	<u>99,599</u>	<u>121,723</u>	<u>864,093</u>
Total Current Assets	\$ 6,328,212	\$ 2,162,853	\$ 8,491,065	\$ 3,861,703
Noncurrent Assets:				
Other assets - reserved cash		\$ 940,338	\$ 940,338	\$ 227,170
Noncurrent receivable	\$ 300,000		300,000	
Capital assets, net of accumulated depreciation	<u>1,730,964</u>	<u>5,909,237</u>	<u>7,640,201</u>	<u>12,542,239</u>
Total Noncurrent Assets	\$ 2,030,964	\$ 6,849,575	\$ 8,880,539	\$ 12,769,409
Total Assets	\$ <u>8,359,176</u>	\$ <u>9,012,428</u>	\$ <u>17,371,604</u>	\$ <u>16,631,112</u>
LIABILITIES				
Accounts payable	\$ 136,846	\$ 339,027	\$ 475,873	\$ 746,237
Accrued payroll and related fringe benefits	104,324	248,504	352,828	264,443
Deferred revenues	422,386	177,540	599,926	446,287
Other current liabilities	<u> </u>	<u>4,773</u>	<u>4,773</u>	<u>354,296</u>
Total Current Liabilities	\$ 663,556	\$ 769,844	\$ 1,433,400	\$ 1,811,263
Long-term liabilities	<u>461,660</u>	<u>513,524</u>	<u>975,184</u>	<u>1,962,241</u>
Total Liabilities	\$ <u>1,125,216</u>	\$ <u>1,283,368</u>	\$ <u>2,408,584</u>	\$ <u>3,773,504</u>
NET ASSETS				
Investment in capital assets, net of related debt	\$ 1,730,964	\$ 5,865,250	\$ 7,596,214	\$ 11,226,528
Restricted	92,998	32,388	125,386	146,680
Unrestricted	<u>5,409,998</u>	<u>1,831,422</u>	<u>7,241,420</u>	<u>1,484,400</u>
Total Net Assets	\$ <u>7,233,960</u>	\$ <u>7,729,060</u>	\$ <u>14,963,020</u>	\$ <u>12,857,608</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Net Assets (Continued)

	December 31, 2006			
	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and investments	\$ 4,110,494	\$ 1,428,076	\$ 5,538,570	\$ 1,012,530
Accounts receivable	2,012,446	860,726	2,873,172	1,218,286
Other current assets	<u>62,656</u>	<u>92,202</u>	<u>154,858</u>	<u>842,613</u>
Total Current Assets	\$ 6,185,596	\$ 2,381,004	\$ 8,566,600	\$ 3,073,429
Noncurrent Assets:				
Other assets - reserved cash		\$ 972,308	\$ 972,308	\$ 256,888
Noncurrent receivable	\$ 370,000		370,000	
Capital assets, net of accumulated depreciation	<u>1,660,537</u>	<u>5,444,844</u>	<u>7,105,381</u>	<u>10,166,275</u>
Total Noncurrent Assets	\$ 2,030,537	\$ 6,417,152	\$ 8,447,689	\$ 10,423,163
Total Assets	\$ <u>8,216,133</u>	\$ <u>8,798,156</u>	\$ <u>17,014,289</u>	\$ <u>13,496,592</u>
LIABILITIES				
Accounts payable	\$ 143,805	\$ 385,756	\$ 529,561	\$ 639,087
Accrued payroll and related fringe benefits	93,986	221,442	315,428	229,862
Deferred revenues	1,291,218	162,895	1,454,113	407,326
Other current liabilities	<u> </u>	<u>13,148</u>	<u>13,148</u>	<u>634,844</u>
Total Current Liabilities	\$ 1,529,009	\$ 783,241	\$ 2,312,250	\$ 1,911,119
Long-term liabilities	<u>563,273</u>	<u>450,598</u>	<u>1,013,871</u>	<u>1,825,416</u>
Total Liabilities	\$ <u>2,092,282</u>	\$ <u>1,233,839</u>	\$ <u>3,326,121</u>	\$ <u>3,736,535</u>
NET ASSETS				
Investment in capital assets, net of related debt	\$ 1,660,537	\$ 5,386,312	\$ 7,046,849	\$ 8,688,679
Restricted	75,882	31,099	106,981	97,629
Unrestricted	<u>4,387,432</u>	<u>2,146,906</u>	<u>6,534,338</u>	<u>973,749</u>
Total Net Assets	\$ <u>6,123,851</u>	\$ <u>7,564,317</u>	\$ <u>13,688,168</u>	\$ <u>9,760,057</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Net Assets (Continued)

The County's net assets and component unit net assets are \$14,963,020 and \$12,857,608 at December 31, 2007, respectively. The County's net assets and component unit net assets are \$13,668,168 and \$9,760,057 at December 31, 2006, respectively. Capital assets, net of related debt are \$7,596,214 and \$11,226,528 at December 31, 2007, respectively. Capital assets, net of related debt are \$7,046,849 and \$8,688,679 at December 31, 2006, respectively. Capital assets, net of related debt, is derived by taking the original costs of the County's assets, subtracting accumulated depreciation to date and comparing this figure to the amount of long-term debt used to finance the acquisition of those assets. Component unit capital assets include infrastructure assets of \$10,347,793 at December 31, 2007 and \$7,441,184 at December 31, 2006.

Restricted net assets are restricted for maintenance of effort tax collections, long-term portion of notes receivable and for future road maintenance.

The unrestricted net assets are \$7,241,420 and \$1,484,400 as of December 31, 2007, respectively. The unrestricted net assets are \$6,534,338 and \$973,749 as of December 31, 2006, respectively. This is the net accumulated results of the current and past years' operations. The nature of the County's operations is based on property taxes, charges for services, state aid, federal grants and local funds received to fund various programs.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Activities

The results of operations for the County as a whole are reported in the statement of activities. This statement reports the changes in net assets for the fiscal year.

	<u>Year ended December 31, 2007</u>			
	<u>Primary Government</u>			Component
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	
	<u>Activities</u>	<u>Activities</u>		<u>Units</u>
Revenue:				
Program Revenues:				
Charges for services	\$ 900,487	\$ 9,339,254	\$ 10,239,741	\$ 1,938,353
Operating grants and contributions	1,407,425	286,687	1,694,112	6,903,681
Capital grant and contributions		529,165	529,165	3,154,779
General Revenues:				
State aid	8,383		8,383	732,882
Property taxes	4,137,188	300,534	4,437,722	
Other	<u>1,186,041</u>	<u>(154,047)</u>	<u>1,031,994</u>	<u>4,930,517</u>
Total Revenue	\$ 7,639,524	\$ 10,301,593	\$ 17,941,117	\$ 17,660,212
Program expenses:				
Governmental activities	\$ 6,529,415		\$ 6,529,415	
Business-type activities		\$ 10,136,850	10,136,850	
Component unit				<u>\$ 14,562,661</u>
Total Program Expenses	\$ 6,529,415	\$ 10,136,850	\$ 16,666,265	\$ 14,562,661
Increase in Net Assets	\$ 1,110,109	\$ 164,743	\$ 1,274,852	\$ 3,097,551

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Activities (Continued)

	Year ended December 31, 2006			
	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
Revenue:				
Program Revenues:				
Charges for services	\$ 855,639	\$ 9,542,336	\$ 10,397,975	\$ 1,296,815
Operating grants and contributions	1,256,667	416,066	1,672,733	7,782,777
General Revenues:				
State aid	10,259		10,259	943,789
Property taxes	3,931,821	130,106	4,061,927	
Other	<u>945,101</u>	<u>(29,556)</u>	<u>915,545</u>	<u>4,774,356</u>
Total Revenue	\$ 6,999,487	\$ 10,058,952	\$ 17,058,439	\$ 14,797,737
Program expenses:				
Governmental activities	\$ 6,195,968		\$ 6,195,968	
Business-type activities		\$ 9,666,356	9,666,356	
Component unit				<u>\$ 14,248,305</u>
Total Program Expenses	\$ 6,195,968	\$ 9,666,356	\$ 15,862,324	\$ 14,248,305
Increase in Net Assets	\$ <u>803,519</u>	\$ <u>392,596</u>	\$ <u>1,196,115</u>	\$ <u>549,432</u>

The County had an overall increase in net assets of \$1,274,852 for the year ended December 31, 2007, and component units had an overall increase in net assets of \$3,097,551. The largest increase in the net assets for the governmental activities was due to an increase in net assets for the Revenue Sharing Fund. The Fund received \$476,752 more property taxes than it transferred to the General Fund for the year. The largest increase in net assets for the business-type activities was due to an increase in net assets for Airport Capital Improvement Fund of \$365,420. Airport Capital Improvement Fund received capital grants of \$406,001. The largest increase in component unit net assets was attributable to the County Road Commission, which had a net assets increase of \$2,991,691. Starting January 1, 2003, the County Road Commission capitalizes infrastructure outlay instead of expensing these items. Operating grants and contributions continue to be recognized as program revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Activities (Continued)

The County had an overall increase in net assets of \$1,196,115 for the year ended December 31, 2006, and component units had an overall increase in net assets of \$549,432. The largest increase in the net assets for the governmental activities was due to an increase in net assets for the Revenue Sharing Fund. The Fund received \$485,326 more property taxes than it transferred to the General Fund for the year. The largest increase in net assets for the business-type activities was due to an increase in net assets for Medical Care Facility of \$677,373. The Medical Care Facility received an increase in its daily per patient rate during the year ended December 31, 2006, over what it received during the year ended December 31, 2005. The largest increase in component unit net assets was attributable to the County Road Commission.

The County's total revenues totaled \$17,941,117 and its component unit total revenues totaled \$17,660,212 for the year ended December 31, 2007. The County's total revenues totaled \$17,058,439 and its component unit total revenues totaled \$14,797,737 for the year ended December 31, 2006.

For the year ended December 31, 2007, the County's total cost to fund all governmental activities was \$6,529,415, business-type activities was \$10,136,850 and component units was \$14,562,661. A majority of these costs were funded by property taxes and state aid. This shows the County has reliance on property taxes and state aid to provide future funding for their programs and administrative costs.

Governmental Fund Budgetary Items

During the year, the County revised its original budget several times to account for the changing environment of funding sources, generally in the federal grant area. A schedule showing the County's General Fund original budget, final budget and the actual results are included as required supplementary information in the financial section of the audit report.

Capital Assets

At December 31, 2007, the County had \$7,640,201 invested in capital assets net of depreciation and its Component units had \$12,542,239 invested. The County's net capital assets increased during the past fiscal year by \$534,820, consisting of additions totaling \$1,433,793, disposals of \$177,015 and depreciation charges of \$721,958. The component unit's capital assets increased during the year by \$2,375,965, consisting of additions totaling \$3,184,452, disposals of \$863, and depreciation charges of \$807,624. The majority of the increase consisted of Road Commission infrastructure additions.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Debt

The County had \$975,184 of long-term liabilities at December 31, 2007 and its component units had \$1,962,241. These amounts consist of a revenue bond payable, notes payable, accrued paid time off benefits payable to employees and a capital lease.

Future Considerations

Increasing reliance of certain Special Revenue Funds on General Fund for support and increasing health insurance costs will continue to impact the future financial condition of the County. An additional one-third of the County tax levy had been collected for the past three years. This additional tax collection ended in 2007. The tax proceeds were deposited into the Revenue Sharing Reserve Fund. The State permitted the County to transfer \$312,172 from this fund to the General Fund in 2007. These transfers will continue for the next four years at which time the Revenue Sharing Reserve Fund will be depleted. The State anticipates in year 2012 to be able to resume funding to the County to replace this lost revenue. We don't know what shape the State's economy will be in 2012.

Within the next few years, the State may require extensive remodeling at the County jail. Preliminary cost estimates indicate as much as \$1.6 million maybe needed. Currently, it is not known how this work will be funded. Most likely a combination of tax levies, loans and internal funding will be required.

The County has adopted a budget for the upcoming fiscal year that should not over expend its funding and should leave the County with a positive Fund Balance.

Contacting the County

If you have any questions about this report or need additional information, contact the County offices at Gogebic County, 200 N. Moore Street, Bessemer, MI 49911; telephone number (906) 663-4517.

BASIC
FINANCIAL
STATEMENTS

STATEMENT OF
GOGEBIC COUNTY,
December 31,

	<u>Primary Government</u>			Component
	Governmental	Business-Type	Total	Units
	Activities	Activities		
ASSETS				
Cash	\$ 4,970,044	\$ 876,537	\$ 5,846,581	\$ 395,474
Investments		322,591	322,591	1,393,027
Receivables (net, where applicable, of allowances for uncollectibles):				
Taxes	1,007,869	158,867	1,166,736	
Accounts		657,337	657,337	272,670
State of Michigan	107,059	6,301	113,360	745,738
Federal government	100,906		100,906	28,527
Notes	43,825		43,825	162,174
Other	76,385	41,621	118,006	
Due from other funds	22,124	6,050	28,174	
Inventories		74,080	74,080	563,389
Deferred and prepaid expenses		19,469	19,469	300,704
Noncurrent receivable for general obligation indebtedness	300,000		300,000	
Capital assets:				
Land, buildings, equipment and infrastructure	4,165,362	17,360,755	21,526,117	20,052,006
Less: Accumulated depreciation	(2,434,398)	(11,516,183)	(13,950,581)	(7,509,767)
Construction in progress		64,665	64,665	
Reserved cash		940,338	940,338	227,170
Total Assets	<u>\$ 8,359,176</u>	<u>\$ 9,012,428</u>	<u>\$ 17,371,604</u>	<u>\$ 16,631,112</u>

NET ASSETS

MICHIGAN

2007

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES				
Accounts payable	\$ 136,846	\$ 339,027	\$ 475,873	\$ 746,237
Salaries and wages and related liabilities	104,324	248,504	352,828	264,443
Advances from and amounts due State of Michigan				267,717
Interest payable				28,591
Deferred revenues	422,386	177,540	599,926	446,287
Due to other funds		4,773	4,773	
Other liabilities				57,988
Long-term debt:				
General obligation indebtedness	300,000		300,000	
Notes payable to bank		43,987	43,987	46,003
Notes payable				100,000
Capital lease payable				1,355,000
Unamortized deferred amount on capital lease restatement				(85,292)
Deferred revenue		31,525	31,525	
Accumulated absences	<u>161,660</u>	<u>438,012</u>	<u>599,672</u>	<u>546,530</u>
Total Liabilities	<u>\$ 1,125,216</u>	<u>\$ 1,283,368</u>	<u>\$ 2,408,584</u>	<u>\$ 3,773,504</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 1,730,964	\$ 5,865,250	\$ 7,596,214	\$ 11,226,528
Restricted	92,998	32,388	125,386	146,680
Unrestricted	<u>5,409,998</u>	<u>1,831,422</u>	<u>7,241,420</u>	<u>1,484,400</u>
Net Assets	<u>\$ 7,233,960</u>	<u>\$ 7,729,060</u>	<u>\$ 14,963,020</u>	<u>\$ 12,857,608</u>

The accompanying notes are an integral part of the
financial statements.

STATEMENT
GOGEBIC COUNTY,
Year ended

			Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
Legislative	\$ 69,081			
Judicial	861,664	\$ 329,554	\$ 452,240	
General government	1,100,562	234,910	156,131	
Public safety	1,551,966	191,019	441,813	
Health and welfare	1,359,979	49,419	329,485	
Recreation and parks	83,469	95,585		
Other functions	1,313,173			
Interest on long-term debt	27,756		27,756	
Depreciation (unallocated)	161,765			
Total Governmental Activities	\$ 6,529,415	\$ 900,487	\$ 1,407,425	\$ 0
Business-type activities:				
Medical Care Facility	\$ 8,176,202	\$ 8,095,295		
Forestry and Parks Commission	355,738	522,858		
Fair Board	166,836	133,590	\$ 33,298	
Airport	934,734	531,700	13,098	\$ 406,001
Gogebic County Transit	503,340	55,811	240,291	123,164
Total Business-Type Activities	\$ 10,136,850	\$ 9,339,254	\$ 286,687	\$ 529,165
Total Primary Government	\$ 16,666,265	\$ 10,239,741	\$ 1,694,112	\$ 529,165
Component Units:				
Gogebic County Road Commission	\$ 6,049,582	\$ 1,498,352	\$ 4,278,125	\$ 3,154,779
Community Mental Health Authority	5,938,986	440,001	58,407	
Western U.P. Manpower Consortium	2,567,971		2,567,149	
Economic Development Corporation	5,998			
Brownfield Redevelopment Authority	124			
Total Component Units	\$ 14,562,661	\$ 1,938,353	\$ 6,903,681	\$ 3,154,779
General revenues:				
Taxes				
Licenses and permits				
Federal grants				
State revenue sharing				
State grants				
Medicaid not restricted				
Interest and rents				
Other revenues				
Internal service activity				
Gain (loss) on disposal of assets				
Transfers				
Total General Revenues and Transfers				
Change in Net Assets				
Net assets at January 1, 2007				
Net assets at December 31, 2007				

The accompanying notes are an integral part of the financial statements.

OF ACTIVITIES

MICHIGAN

December 31, 2007

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (69,081)		\$ (69,081)	
(79,870)		(79,870)	
(709,521)		(709,521)	
(919,134)		(919,134)	
(981,075)		(981,075)	
12,116		12,116	
(1,313,173)		(1,313,173)	
0		0	
<u>(161,765)</u>		<u>(161,765)</u>	
\$ (4,221,503)	\$ 0	\$ (4,221,503)	\$ 0
	\$ (80,907)	\$ (80,907)	
	167,120	167,120	
	52	52	
	16,065	16,065	
	<u>(84,074)</u>	<u>(84,074)</u>	
	\$ 18,256	\$ 18,256	
\$ (4,221,503)	\$ 18,256	\$ (4,203,247)	\$ 0
			\$ 2,881,674
			(5,440,578)
			(822)
			(5,998)
			<u>(124)</u>
\$ 0	\$ 0	\$ 0	\$ (2,565,848)
\$ 4,137,188	\$ 300,534	\$ 4,437,722	
20,022		20,022	
307,281		307,281	
8,383		8,383	
			\$ 732,882
			4,660,241
258,842	31,214	290,056	73,016
171,994		171,994	14,923
410,258		410,258	
(57,829)	7,712	(50,117)	64,837
<u>75,473</u>	<u>(192,973)</u>	<u>(117,500)</u>	<u>117,500</u>
\$ 5,331,612	\$ 146,487	\$ 5,478,099	\$ 5,663,399
\$ 1,110,109	\$ 164,743	\$ 1,274,852	\$ 3,097,551
<u>6,123,851</u>	<u>7,564,317</u>	<u>13,688,168</u>	<u>9,760,057</u>
\$ 7,233,960	\$ 7,729,060	\$ 14,963,020	\$ 12,857,608

COMBINED BALANCE SHEET - GOVERNMENTAL FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2007

	General	Revenue Sharing Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 647,649	\$ 1,324,329	\$ 318,506	\$ 2,290,484
Receivables (net, where applicable, of allowances for uncollectibles):				
Taxes	328,213			328,213
State of Michigan	82,735		24,324	107,059
Federal government	71,642		29,264	100,906
Notes			43,825	43,825
Other	46,549		29,836	76,385
Due from other funds	<u>22,124</u>			<u>22,124</u>
	<u>\$ 1,198,912</u>	<u>\$ 1,324,329</u>	<u>\$ 445,755</u>	<u>\$ 2,968,996</u>
LIABILITIES AND COUNTY EQUITY				
Accounts payable	\$ 57,379		\$ 79,467	\$ 136,846
Salaries and wages and related liabilities	104,324			104,324
Deferred revenues	<u>350,337</u>		<u>72,049</u>	<u>422,386</u>
Total Liabilities	<u>\$ 512,040</u>		<u>\$ 151,516</u>	<u>\$ 663,556</u>
County equity:				
Fund balance:				
Reserved	\$ 92,855		\$ 143	\$ 92,998
Unreserved	<u>594,017</u>	<u>\$ 1,324,329</u>	<u>294,096</u>	<u>2,212,442</u>
Total County Equity	<u>\$ 686,872</u>	<u>\$ 1,324,329</u>	<u>\$ 294,239</u>	<u>\$ 2,305,440</u>

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

GOGEBIC COUNTY, MICHIGAN

December 31, 2007

Fund balances - total governmental funds

Amounts reported for governmental activities in the statement of net assets \$ 2,305,440
are different because:

Capital assets used in governmental activities are not financial resources and
therefore, are not reported in the governmental funds.

Governmental capital assets	\$ 4,165,362	
Less accumulated depreciation	<u>(2,434,398)</u>	1,730,964

Other long-term assets (receivables) are not available to pay current-
period expenditures and, therefore, are deferred in the funds. 300,000

Long-term liabilities are not due and payable in the current period and
therefore are not reported as liabilities in the funds.

Accumulated absences	\$ (161,660)	
General obligation indebtedness	<u>(300,000)</u>	(461,660)

Internal Service Fund net assets are presented in the Statement
of Net Assets as a governmental activity, but are not included
in the Combined Balance Sheet for Governmental Funds. 3,359,216

Net assets of governmental activities \$ 7,233,960

The accompanying notes are an integral part of the
financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2007

	General	Revenue Sharing Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 3,146,474	\$ 788,924	\$ 201,790	\$ 4,137,188
Licenses and permits	20,022			20,022
Federal grants	476,478		275,692	752,170
State grants	652,429		168,917	821,346
Contributions from local units	93,023		106,533	199,556
Charges for services	645,998		184,801	830,799
Fines and forfeits	69,688			69,688
Interest and rents	257,057		1,785	258,842
Other revenues	69,340		122,671	192,011
Total Revenues	\$ 5,430,509	\$ 788,924	\$ 1,062,189	\$ 7,281,622
Expenditures:				
Current expenditures:				
Legislative	\$ 69,081			\$ 69,081
Judicial	848,458		\$ 13,206	861,664
General government	1,100,562			1,100,562
Public safety	1,368,550		183,416	1,551,966
Health and welfare	375,920		984,059	1,359,979
Recreation and culture			83,469	83,469
Other functions	1,344,786			1,344,786
Capital outlay	328,125		6,721	334,846
Debt service			97,756	97,756
Total Expenditures	\$ 5,435,482	\$ 0	\$ 1,368,627	\$ 6,804,109
Excess (Deficiency) of Revenues Over Expenditures	\$ (4,973)	\$ 788,924	\$ (306,438)	\$ 477,513
Other financing sources (uses):				
Operating transfers in (out)	118,845	(312,172)	268,800	75,473
Proceeds from sale of building	44,825			44,825
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ 158,697	\$ 476,752	\$ (37,638)	\$ 597,811
Fund balance at January 1, 2007	528,175	847,577	331,877	1,707,629
FUND BALANCE AT DECEMBER 31, 2007	\$ 686,872	\$ 1,324,329	\$ 294,239	\$ 2,305,440

The accompanying notes are an integral part of the
financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS WITH THE STATEMENT OF ACTIVITIES

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2007

Net change in fund balance - total governmental funds		\$ 597,811
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:		
Expenditures for capital assets	\$ 334,846	
Less current year depreciation	<u>(161,765)</u>	173,081
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:		
Bond proceeds	\$ (70,000)	
Repayment of bonds	<u>70,000</u>	0
Compensated absences not payable from current year resources are not reported as expenditures of the current year. In the Statement of Activities, those costs represent expenses of the current year.		31,613
When recognizing the sale of capital assets, the governmental funds report the total proceeds of the sale. Only the gain or loss on the sale is reported on the Statement of Net Assets. The net book value of assets disposed of is		(102,654)
Change in Net Assets of the Internal Service Fund is reported in the Statement of Activities, but is not included in the governmental funds Statement of Revenues, Expenditures and Fund Balance.		<u>410,258</u>
Change in net assets of governmental funds		<u>\$ 1,110,109</u>

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2007

	Business-Type Activities					Governmental Activities
	Enterprise Funds					
	Medical Care Facility	Airport Operating	Capital Improvement	Forestry and Parks Commission	Nonmajor Enterprise Funds	
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 527,468	\$ 23,805	\$ 78,938	\$ 49,306	\$ 197,020	\$ 876,537
Temporary investments				213,497	109,094	322,591
Patient accounts receivable	667,337					667,337
Less allowances	(10,000)					(10,000)
Other accounts receivable	8,021	30,521			3,079	41,621
Property taxes receivable	157,914				953	158,867
Grants receivable					6,301	6,301
Due from other funds			4,773		1,277	6,050
Inventories	46,326	27,754				74,080
Prepaid expenses	15,295				4,174	19,469
Total Current Assets	\$ 1,412,361	\$ 82,080	\$ 83,711	\$ 262,803	\$ 321,898	\$ 2,162,853
						\$ 3,359,216
Non Current Assets:						
Capital assets	\$ 4,466,067	\$ 8,587,083	\$ 1,618,054	\$ 754,218	\$ 1,935,333	\$ 17,360,755
Less allowances for depreciation	(2,878,631)	(7,319,243)	(333,496)	(177,247)	(807,566)	(11,516,183)
Construction in progress	\$ 1,587,436	\$ 1,267,840	\$ 1,284,558	\$ 576,971	\$ 1,127,767	\$ 5,844,572
	45,900		18,765			64,665
Total Non Current Assets	\$ 1,633,336	\$ 1,267,840	\$ 1,303,323	\$ 576,971	\$ 1,127,767	\$ 5,909,237
Other Assets:						
Cash reserved for:						
Funded depreciation	\$ 926,342					\$ 926,342
Other restricted	13,996					13,996
	\$ 940,338					\$ 940,338
Total Assets	\$ 3,986,035	\$ 1,349,920	\$ 1,387,034	\$ 839,774	\$ 1,449,665	\$ 9,012,428
						\$ 3,359,216

COMBINED STATEMENT OF NET ASSETS - PROPRIETARY FUNDS (CONTINUED)

	Business-Type Activities					Governmental Activities
	Enterprise Funds					
	Medical Care Facility	Airport Operating	Capital Improvement	Forestry and Parks Commission	Nonmajor Enterprise Funds	
LIABILITIES						
Liabilities:						
Current Liabilities:						
Accounts payable	\$ 282,430	\$ 7,968		\$ 36,070	\$ 12,559	\$ 339,027
Salaries and wages and related liabilities	230,428	10,696		6,722	658	248,504
Deferred revenue	168,115	9,425				177,540
Due to other funds		4,773				4,773
Current portion of note payable to bank			\$ 15,091			15,091
Total Current Liabilities	\$ 680,973	\$ 32,862	\$ 15,091	\$ 42,792	\$ 13,217	\$ 784,935
Non Current Liabilities:						
Note payable to bank, net of current portion			\$ 28,896			\$ 28,896
Deferred revenue-rent	\$ 31,525					31,525
Accrued sick and vacation pay	\$ 355,906	26,791		\$ 33,404	\$ 21,911	438,012
Total Long-term Liabilities	\$ 355,906	\$ 58,316	\$ 28,896	\$ 33,404	\$ 21,911	\$ 498,433
Total Liabilities	\$ 1,036,879	\$ 91,178	\$ 43,987	\$ 76,196	\$ 35,128	\$ 1,283,368
NET ASSETS						
Net Assets:						
Invested in capital assets, net of related debt	\$ 1,633,336	\$ 1,267,840	\$ 1,259,336	\$ 576,971	\$ 1,127,767	\$ 5,865,250
Restricted	3,795			25,000	3,593	32,388
Unrestricted	1,312,025	(9,098)	83,711	161,607	283,177	1,831,422
Total Net Assets	\$ 2,949,156	\$ 1,258,742	\$ 1,343,047	\$ 763,578	\$ 1,414,537	\$ 7,729,060
						\$ 3,359,216

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2007

	Business-Type Activities					Governmental Activities	
	Enterprise Funds					Internal Service Funds	
	Medical Care Facility	Airport	Capital Improvement	Forestry and Parks Commission	Nonmajor Enterprise Funds	Total Enterprise Funds	
Operating revenues - sales and charges for services, net	\$ 7,962,061	\$ 450,039	\$ 4,773	\$ 519,441	\$ 189,401	\$ 9,125,715	\$ 310,617
Other operating revenues	<u>133,234</u>	<u>57,338</u>	<u>19,550</u>	<u>3,417</u>		<u>213,539</u>	
	\$ 8,095,295	\$ 507,377	\$ 24,323	\$ 522,858	\$ 189,401	\$ 9,339,254	\$ 310,617
Operating expenses:							
Salaries, fees and fringe benefits	\$ 5,918,729	\$ 280,050		\$ 245,953	\$ 342,148	\$ 6,786,880	
Services, materials and other operating expenses	2,068,990	388,733	\$ 11,808	82,244	235,487	2,787,262	\$ 20,688
Depreciation provisions	187,854	170,711	81,545	27,541	92,541	560,192	
Provision for bad debts	629					629	
Interest			1,887			1,887	
	<u>\$ 8,176,202</u>	<u>\$ 839,494</u>	<u>\$ 95,240</u>	<u>\$ 355,738</u>	<u>\$ 670,176</u>	<u>\$ 10,136,850</u>	<u>\$ 20,688</u>
Operating Income (Loss)	\$ (80,907)	\$ (332,117)	\$ (70,917)	\$ 167,120	\$ (480,775)	\$ (797,596)	\$ 289,929
Nonoperating revenues:							
Property taxes	\$ 165,173				\$ 135,361	\$ 300,534	
Federal grants		\$	342,933		171,002	513,935	
State grants			76,166		225,751	301,917	
Interest				\$ 18,825	12,389	31,214	\$ 120,329
Gain (loss) on asset disposal			(108)		7,820	7,712	
	<u>\$ 165,173</u>	<u>\$ 0</u>	<u>\$ 418,991</u>	<u>\$ 18,825</u>	<u>\$ 552,323</u>	<u>\$ 1,155,312</u>	<u>\$ 120,329</u>
Income (Loss) Before Operating Transfers	\$ 84,266	\$ (332,117)	\$ 348,074	\$ 185,945	\$ 71,548	\$ 357,716	\$ 410,258
Operating transfers from (to) - Other funds		<u>172,881</u>	<u>17,346</u>	<u>(388,200)</u>	<u>5,000</u>	<u>(192,973)</u>	
Change in Net Assets	\$ 84,266	\$ (159,236)	\$ 365,420	\$ (202,255)	\$ 76,548	\$ 164,743	\$ 410,258
Net assets at January 1, 2007	<u>2,864,890</u>	<u>1,417,978</u>	<u>977,627</u>	<u>965,833</u>	<u>1,337,989</u>	<u>7,564,317</u>	<u>2,948,958</u>
NET ASSETS AT DECEMBER 31, 2007	<u>\$ 2,949,156</u>	<u>\$ 1,258,742</u>	<u>\$ 1,343,047</u>	<u>\$ 763,578</u>	<u>\$ 1,414,537</u>	<u>\$ 7,729,060</u>	<u>\$ 3,359,216</u>

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2007

	Business-Type Activities					Governmental Activities
	Enterprise Funds				Total Enterprise Funds	
	Medical Care Facility	Operating	Airport	Capital Improvement	Forestry and Parks Commission	Nonmajor Enterprise Funds
Cash flows from operating activities:						
Cash received from customers	\$ 8,085,185	\$ 513,942	\$ 7,850	\$ 522,858	\$ 188,676	\$ 9,318,511
Cash received from local units		57,338				74,538
Property tax collections						\$ 1,617,835
Other revenues						112,316
Cash paid to employees	(5,872,388)	(272,149)		(242,801)	(339,682)	(6,727,020)
Cash paid to local units						(1,493,997)
Cash paid to suppliers	(2,176,209)	(412,042)	(295)	(53,340)	(236,621)	(2,878,507)
						(20,688)
Net Cash Provided by (Used in) Operating Activities	\$ 36,588	\$ (112,911)	\$ 24,755	\$ 226,717	\$ (387,627)	\$ (212,478)
						\$ 215,466
Cash flows from capital and related financing activities:						
Proceeds from sale of capital assets			\$ 150		\$ 7,820	\$ 7,970
Acquisition of land, buildings and equipment	\$ (345,580)	\$ (51,210)	\$ (18,615)	\$ (49,283)	\$ (123,164)	\$ (587,852)
Property tax collections	167,400					167,400
Principal paid on long-term debt			(14,545)			(14,545)
Interest paid			(1,887)			(1,887)
Capital grant received					123,164	123,164
Net Cash Provided by (Used in) Capital and Related Financing Activities	\$ (178,180)	\$ (51,210)	\$ (34,897)	\$ (49,283)	\$ 7,820	\$ (305,750)
						\$ 0
Cash flows from noncapital financing activities:						
Operating transfers in (to) other funds		\$ 172,881	\$ 18,931	\$ (388,200)	\$ 5,000	\$ (191,388)
State and federal grants					282,362	282,362
Property tax collections					135,122	135,122
Net Cash Provided by (Used in) Noncapital Financing Activities	\$ 0	\$ 172,881	\$ 18,931	\$ (388,200)	\$ 422,484	\$ 226,096
						\$ 0
Cash flows from investing activities:						
Purchase of certificates of deposit				\$ 194,655	\$ (53,487)	\$ (53,487)
Redemption of certificates of deposit				18,825	50,000	244,655
Interest earned					12,389	31,214
						\$ 120,329
Net Cash Provided by Investing Activities	\$ 0	\$ 0	\$ 0	\$ 213,480	\$ 8,902	\$ 222,382
						\$ 120,329
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (141,592)	\$ 8,760	\$ 8,789	\$ 2,714	\$ 51,579	\$ (69,750)
Cash and cash equivalents at January 1, 2007	1,609,398	15,045	70,149	46,592	145,441	1,886,625
						2,343,765
CASH AND CASH EQUIVALENTS AT DECEMBER 31, 2007	\$ 1,467,806	\$ 23,805	\$ 78,938	\$ 49,306	\$ 197,020	\$ 1,816,875
						\$ 2,679,560

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)

	Business-Type Activities						Governmental Activities
	Enterprise Funds						
	Medical Care Facility	Operating	Airport	Capital Improvement	Forestry and Parks Commission	Nonmajor Enterprise Funds	
Cash flows from operating activities:							
Operating income (loss)	\$ (80,907)	\$ (332,117)	\$ (70,917)	\$ 167,120	\$ (480,775)	\$ (797,596)	\$ 289,929
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	\$ 187,854	\$ 170,711	\$ 81,545	\$ 27,541	\$ 92,541	\$ 560,192	
Interest expense	629		1,887			1,887	
Provision for bad debts						629	
Repairs and maintenance financed by grant awards administered by State of Michigan			11,513			11,513	
(Increase) decrease in current assets:							
Accounts and grants receivable	(32,525)	18,180	5,500	(725)		(9,570)	\$ (74,463)
Inventories	3,467	(6,552)				(3,085)	
Prepaid expenses	39		(4,773)		559	598	
Due from other funds				(137)		(4,910)	
Increase (decrease) in current liabilities:							
Accounts payable and due to other funds	(110,725)	(11,985)		28,904	(1,556)	(95,362)	
Accrued liabilities	68,756	48,852		3,152	2,466	123,226	
Total adjustments	\$ 117,495	\$ 219,206	\$ 95,672	\$ 59,597	\$ 93,148	\$ 585,118	\$ (74,463)
	\$ 36,588	\$ (112,911)	\$ 24,755	\$ 226,717	\$ (387,627)	\$ (212,478)	\$ 215,466

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash payments for interest

\$ 1,887

\$

\$ 1,887

Noncash capital and related financing activities:

Equipment purchased directly by Grant Administrator

\$ 406,001

\$

\$ 406,001

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2007

	Pension Trust Fund	Agency Funds
ASSETS		
Temporary investments	\$ 172,598	\$ 1,012,960
Investments	38,656,045	
Accounts receivable	<u>1,386</u>	<u></u>
Total Assets	<u>\$ 38,830,029</u>	<u>\$ 1,012,960</u>
LIABILITIES		
Due State of Michigan		\$ 4,338
Due other funds		23,401
Undistributed receipts		600,654
Undistributed tax collections		<u>384,567</u>
Total Liabilities		<u>\$ 1,012,960</u>
NET ASSETS		
Net assets held in trust for pension benefits	<u>\$ 38,830,029</u>	

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - PENSION TRUST FUND

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2007

Additions:

Contributions:

Contributions from other funds	\$	1,094,230
Employee contributions		266,622
Employee buyback contributions		<u>68,390</u>

Total Contributions \$ 1,429,242

Investment income:

Net change in fair value of investments	\$	(1,950,290)
Interest, dividends and other investment gains		<u>4,210,808</u>
	\$	2,260,518
Less investment expense		<u>68,153</u>
		<u>2,192,365</u>

Total Additions \$ 3,621,607

Deductions:

Retirement benefits	\$	1,813,058
Refunds		197,000
Administrative expense		<u>145,899</u>
		<u>2,155,957</u>

Net Increase \$ 1,465,650

Net assets held in trust for pension benefits at
January 1, 2007

37,364,379

NET ASSETS HELD IN TRUST FOR
PENSION BENEFITS AT DECEMBER 31, 2007 \$ 38,830,029

The accompanying notes are an integral part of the
financial statements.

COMBINED STATEMENT OF NET ASSETS - COMPONENT UNITS

GOGEBIC COUNTY, MICHIGAN

December 31, 2007

	Community					Component Unit Total
	County Road Commission	Mental Health Authority	Western U.P. Manpower Consortium	Economic Development Corporation	Brownfield Redevelopment Authority	
ASSETS						
Current Assets:						
Cash	\$ 124	\$ 328,563	\$ 23,276	\$ 41,658	\$ 1,853	\$ 395,474
Investments	1,393,027					1,393,027
Receivables:						
Accounts	111,652	152,615	10,903			275,170
Federal government	28,527					28,527
State of Michigan	483,893	42,473	219,372			745,738
Notes receivable - current portion				7,129	15,000	22,129
Allowance for uncollectible accounts		(2,500)				(2,500)
Inventory	563,389					563,389
Prepaid expenditures	23,163	277,541				300,704
Total Current Assets	\$ 2,603,775	\$ 798,692	\$ 253,551	\$ 48,787	\$ 16,853	\$ 3,721,658
Non Current Assets:						
Land, buildings, equipment and infrastructure	\$16,452,976	\$ 3,445,714	\$ 153,316			\$20,052,006
Less: Accumulated depreciation	(5,984,643)	(1,410,664)	(114,460)			(7,509,767)
Reserved cash		227,170				227,170
Notes receivable				\$ 105,045	\$ 85,000	190,045
Allowance for uncollectible account				(50,000)		(50,000)
Total Non Current Assets	\$10,468,333	\$ 2,262,220	\$ 38,856	\$ 55,045	\$ 85,000	\$12,909,454
Total Assets	\$13,072,108	\$ 3,060,912	\$ 292,407	\$ 103,832	\$ 101,853	\$16,631,112

COMBINED STATEMENT OF NET ASSETS - COMPONENT UNITS (CONTINUED)

	County Road Commission	Community Mental Health Authority	Western U.P. Manpower Consortium	Economic Development Corporation	Brownfield Redevelopment Authority	Component Unit Total
LIABILITIES						
Current Liabilities:						
Accounts payable	\$ 77,893	\$ 491,128	\$ 177,216			\$ 746,237
Salaries, wages and related liabilities	111,037	85,137	68,269			264,443
Due State of Michigan	10,513	73,954	468			84,935
Advances:						
State of Michigan	182,782					182,782
Other	57,988					57,988
Interest payable		28,591				28,591
Deferred revenue	399,751	38,938	7,598			446,287
Current portion of long-term liabilities		<u>175,937</u>			<u>\$ 15,000</u>	<u>190,937</u>
Total Current Liabilities	\$ 839,964	\$ 893,685	\$ 253,551	\$ 0	\$ 15,000	\$ 2,002,200
Non Current Liabilities:						
Compensated absences						
Capital lease payable	\$ 305,898	\$ 220,535	\$ 20,097			\$ 546,530
Unamortized deferred amount on capital lease restatement		1,355,000				1,355,000
Note payable to bank		(85,292)				(85,292)
Note payable		46,003			\$ 100,000	46,003
Less current portion		<u>(175,937)</u>			<u>(15,000)</u>	<u>(190,937)</u>
Total Non Current Liabilities	\$ 305,898	\$ 1,360,309	\$ 20,097	\$ 0	\$ 85,000	\$ 1,771,304
Total Liabilities	\$ 1,145,862	\$ 2,253,994	\$ 273,648	\$ 0	\$ 100,000	\$ 3,773,504

COMBINED STATEMENT OF NET ASSETS - COMPONENT UNITS (CONTINUED)

	County Road Commission	Community Mental Health Authority	Western U.P. Manpower Consortium	Economic Development Corporation	Brownfield Redevelopment Authority	Component Unit Total
NET ASSETS						
Net Assets:						
Invested in capital assets, net of related debt	\$ 10,468,333	\$ 719,339	\$ 38,856			\$ 11,226,528
Restricted for employee benefits		6,635				6,635
Restricted for long-term portion of notes receivable				\$ 55,045	\$ 85,000	140,045
Unrestricted (deficit)	1,457,913	80,944	(20,097)	48,787	(83,147)	1,484,400
Total Net Assets	\$ 11,926,246	\$ 806,918	\$ 18,759	\$ 103,832	\$ 1,853	\$ 12,857,608

NOTES:

The date for the balance sheet of Community Mental Health Authority is September 30, 2007.

The date for the balance sheet of Western U.P. Manpower Consortium is June 30, 2007.

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF ACTIVITIES - COMPONENT UNITS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2007

	County Road Commission	Community Mental Health Authority	Western U.P. Manpower Consortium	Economic Development Corporation	Brownfield Redevelopment Authority	Totals
Expenses:						
Public works	\$ 6,049,582					\$ 6,049,582
Health and welfare		\$ 5,867,531	\$ 2,567,971	\$ 5,998	\$ 124	\$ 8,441,624
Interest on long-term debt		<u>71,455</u>				<u>71,455</u>
Total Expenses	\$ 6,049,582	\$ 5,938,986	\$ 2,567,971	\$ 5,998	\$ 124	\$ 14,562,661
Program revenues:						
Charges for services	\$ 1,498,352	\$ 440,001				\$ 1,938,353
Operating grants and contributions	4,278,125	58,407	\$ 2,567,149			6,903,681
Capital grants and contributions	<u>3,154,779</u>					<u>3,154,779</u>
Total Program Revenues	\$ 8,931,256	\$ 498,408	\$ 2,567,149	\$ 0	\$ 0	\$ 11,996,813
Net (Expense) Revenue	\$ 2,881,674	\$ (5,440,578)	\$ (822)	\$ (5,998)	\$ (124)	\$ (2,565,848)
General revenues:						
State grants		\$ 732,882				\$ 732,882
Medicaid not restricted		4,660,241				4,660,241
Transfer from Gogebic County		117,500				117,500
Interest and rents	\$ 44,317	23,244		\$ 5,443	\$ 12	73,016
Other revenues		<u>12,958</u>			<u>1,965</u>	<u>14,923</u>
Total General Revenues	\$ 44,317	\$ 5,546,825	\$ 0	\$ 5,443	\$ 1,977	\$ 5,598,562
Gain (loss) on disposal of assets	\$ 65,700	(863)				\$ 64,837
Change in Net Assets	\$ 2,991,691	\$ 105,384	\$ (822)	\$ (555)	\$ 1,853	\$ 3,097,551
Net assets at beginning of year	\$ 8,934,555	\$ 701,534	\$ 19,581	\$ 104,387	\$ 0	\$ 9,760,057
NET ASSETS AT END OF YEAR	\$ 11,926,246	\$ 806,918	\$ 18,759	\$ 103,832	\$ 1,853	\$ 12,857,608

NOTES:

The fiscal year of Community Mental Health Authority is October 1, 2006 to September 30, 2007.

The fiscal year of Western U.P. Manpower Consortium is July 1, 2006 to June 30, 2007.

The accompanying notes are an integral part of the financial statements.

NOTES
TO
FINANCIAL
STATEMENTS

NOTES TO FINANCIAL STATEMENTS

GOGEBIC COUNTY, MICHIGAN

December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Gogebic County operates under an elected Board of Commissioners. The financial statements of the County have been prepared in conformity with generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. The more significant of the County's accounting policies are described below.

Financial Reporting Entity

The financial statements of the reporting entity include those of Gogebic County (the primary government) and its component units as required by generally accepted accounting principles.

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The component units discussed below are included in the County's reporting entity as discretely presented component units because of the significance of their operational or financial relationships with the County. These component units are reported in a separate column to emphasize that they are legally separate from the County. A combining statement of net assets and statement of activities for these discretely presented component units are included as a part of the basic financial statements.

Gogebic County Road Commission - The members of the governing Board of Road Commissioners are appointed by the County Board. The Road Commission is fiscally dependent on the County because the County must approve taxes levied and approve bonded debt. Separate financial statements for the Road Commission may be obtained at its administrative office at North Moore Street, Bessemer, Michigan 49911.

Community Mental Health Authority - Community Mental Health Authority originally began as Gogebic County Community Mental Health Board (the Board) and was organized by Gogebic County to provide mental health services to Gogebic County residents under State of Michigan Public Act 258 of 1974, as amended by Public Act 290 of 1995. On April 24, 2002, under the authority of the same Public Acts the Gogebic County Board of Commissioners duly adopted various resolutions changing the Board's status to that of an Authority and the name to Community Mental Health Authority (the Authority). The resolutions were filed with the State of Michigan and became effective on April 29, 2002.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

The Authority continued to operate under the contract the Board originally set up with the Michigan Department of Community Health and the same administrative board consisting of twelve members appointed by the Gogebic County Board of Commissioners. The financial statements and related notes reflect the operations of the Authority for the fiscal year ended September 30, 2007.

The Authority is considered a component unit of Gogebic County, Michigan due to the Gogebic County Board of Commissioners continuing to appoint the Authority's Administrative Board, the Authority continuing to be a part of Gogebic County, Michigan's retirement plan and in the event of dissolution, some of the Authority's assets will be transferred to Gogebic County, Michigan. Separate financial statements for the Authority may be obtained at its administrative office at 103 West US 2, Wakefield, Michigan 49968.

Western Upper Peninsula Manpower Consortium - Western Upper Peninsula Manpower Consortium (the Consortium) was originally created under Michigan Public Act 8 of 1967 to administer the Federal Comprehensive Employee Training Act of 1973, had also administered the Jobs Training Partnership Act of 1982 and now administers the Workforce Investment Act of 1998. The Consortium operates under an appointed Administrative Board with two members from each of the six counties comprising the Consortium. The Consortium covers a service delivery area of the Michigan counties of Baraga, Gogebic, Houghton, Iron, Keweenaw and Ontonagon with the main office in the City of Ironwood, Michigan, and field offices in the cities of Houghton and Crystal Falls, Michigan.

The members of the governing board of the Consortium are appointed by member counties. The Gogebic County Treasurer is the depository for all monetary transactions involving the Consortium. Employees of the Consortium are considered to be Gogebic County employees and are members of the Gogebic County Employees' Retirement System. Gogebic County provides no financial assistance to the Consortium. Separate financial statements for the Consortium may be obtained at its administrative office at 100 West Cloverland Drive, Ironwood, Michigan 49938. The financial statements of the Consortium are presented on its fiscal year of July 1, 2006 to June 30, 2007.

Economic Development Corporation - The majority of the members of the governing board are appointed by the County Board of Commissioners. The Economic Development Corporation (EDC) is a legally separate nonprofit corporation established pursuant to the provisions of Michigan Public Act 338 of 1974, as amended. The County Board has the ability to modify or approve the budget of the EDC. The EDC may not issue debt without County Board approval. Separate financial statements for the EDC are not prepared and are not available.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

Gogebic County Brownfield Redevelopment Authority – Brownfield Redevelopment Authority (the Authority) was created by the County under the provisions of State of Michigan Public Act 381 of 1996, as amended. The purpose of the Authority is to promote the revitalization of environmentally distressed areas and/or functionally obsolete properties within the boundaries of the County. The Authority Board members are from the general public. The Authority is a legally separate entity. Separate financial statements for the Authority are not prepared and are not available.

The component units discussed below are included in the County's reporting entity as blended component units because the County believes its financial statements would be misleading if the data were not included.

Economic Development Commission - The Economic Development Commission was established pursuant to Michigan Public Act 46 of 1966 and is governed by a board appointed by the County Board. The Economic Development Commission is reported as a special revenue fund of the County because its sole purpose is to finance economic development projects within the County.

Gogebic County Transit - Gogebic County Transit is a separate legal entity and is administered by an elected board. The Transit Board may not issue debt. The Transit taxes are levied under the taxing authority of the Gogebic County Board, as approved by the Gogebic County electors, and are included as a part of the County's total tax levy and are reported in the Gogebic County Transit Fund. The financial statements of the Transit are presented using their fiscal year ended September 30, 2007.

The financial statements of certain other governmental organizations, as set forth below, are not included in the financial statements of the County in accordance with generally accepted accounting principles.

Gogebic County is a member of the Western Upper Peninsula District Health Department, and all of the financial transactions thereof are recorded in the records of another county and are therefore not included in the financial statements of Gogebic County. The Health Department provides limited health services to the residents of Houghton, Ontonagon, Gogebic, Baraga and Keweenaw counties. Each of the counties is required to contribute financial resources on an annual basis sufficient to eliminate any operating deficits and to provide for retirement of long-term debt. Gogebic County is responsible for approximately 21% of such annual contributions. Gogebic County's 2007 appropriation to the Health Department was \$101,084. Separate financial statements of the Western Upper Peninsula District Health Department may be obtained at the administrative office at 540 Depot Street, Houghton, Michigan 49931.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

Summary financial information of the Health Department as of and for the year ended September 30, 2007, follows:

Total assets	<u>\$ 2,592,995</u>
Total liabilities, including general long-term debt of \$396,673	<u>\$ 986,154</u>
Net assets	<u>\$ 1,606,841</u>
Total revenues	\$ 6,894,207
Total expenditures	(7,151,996)
Contributions from local units and operating transfer from primary government	<u>429,664</u>
Excess of expenditures	\$ 171,875
Fund balance at October 1, 2006	<u>1,434,966</u>
Fund balance at September 30, 2007	<u>\$ 1,606,841</u>

The financial statements of the Community Development Block Grant Fund are included in the financial statements of the County as a special revenue fund. The County passes federal block grant monies to Gogebic-Ontonagon Community Action Agency (the Agency), a subrecipient of the grant monies and a separate governmental entity. The Agency administers various governmental programs for the low income and elderly population in a two-county region in the western Upper Peninsula of Michigan. The Agency's activities are funded primarily by federal and state grants awarded to it by the Michigan Family Independence Agency, Upper Peninsula Commission for Area Progress (UPCAP), U.S. Department of Agriculture, and U.S. Department of Health and Human Services. The financial statements of Gogebic-Ontonagon Community Action Agency are not included in the financial statements of the County.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

Summary financial information of the Agency as of and for its fiscal year ended September 30, 2007, follows:

Total assets	<u>\$ 664,301</u>
Total liabilities	<u>\$ 451,202</u>
Total net assets	<u>\$ 213,099</u>
Total support and revenues	\$ 3,162,792
Total expenses	<u>(3,173,773)</u>
Change in net assets	\$ (10,981)
Net assets at October 1, 2006	<u>224,080</u>
Net assets at September 30, 2007	<u>\$ 213,099</u>

Separate financial statements of the Agency may be obtained at the administrative office at 320 East Aurora Street, Ironwood, Michigan 49938.

Under terms of a reorganization agreement among the County of Gogebic, Grand View Hospital, Gogebic County Hospital Finance Authority and North Community Healthcare, Inc. (now Grand View Health System, Inc.), effective January 1, 1990, all assets of Grand View Hospital (except building, improvements and fixtures), liabilities and contract rights of the Hospital were transferred to North Community Healthcare, Inc. (the Corporation).

The financial statements of Grand View Health System, Inc. and Gogebic County Hospital Finance Authority are not included in the financial statements of Gogebic County. There were no financial transactions between Gogebic County and Grand View Health System, Inc. for the year ended December 31, 2007.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all of the activities of the County except for the fiduciary activities. All of the County's activities are considered to be governmental activities, business-type activities or component units. Interfund activity including operating transfers between activities and amounts due to and from activities has been eliminated in the government-wide financial statements.

Fund-based Financial Statements

Separate financial statements are provided on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental business-type activities, component units as well as fiduciary funds are provided. The various fund types are grouped in the financial statements as major funds or nonmajor funds. The County reports the following major funds:

General Fund – the general operating fund of the County. This fund is used to account for all financial resources except those required to be accounted for in another fund.

Revenue Sharing Reserve Fund – used to account for the financial transactions of a property tax levied to temporarily replace State of Michigan shared revenue funding to the County.

Medical Care Facility – used to account for the financial transactions of the Gogebic Medical Care Facility.

Airport Operating Fund – used to account for the financial transactions of the Gogebic-Iron County Airport

Forestry and Parks Commission – used to account for the financial transactions of the Gogebic County Forest and Parks.

All other funds are considered to be nonmajor. They include:

Special Revenue Funds – are used by the County to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Fund – Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Fund-based Financial Statements (Continued)

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or for activities where periodic measurement of net income is appropriate for capital maintenance, public policies, management control or other purposes.

Internal Service Funds - Internal Service Funds are used to account for monies advanced by the County to pay the County and other local taxing units for their delinquent real property taxes.

Fiduciary Funds

Fiduciary Funds are used to account for assets held in a trustee capacity or as an agent for others.

Basis of Accounting

Government-wide Financial Statements

The Government-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The Statement of Activities reports net cost information based on the County's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenues include charges for services that are fees and other charges to the users or recipients of the services the County provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes, state and federal grant revenues that are not program revenues are reported as general revenues.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund-based Financial Statements

Governmental fund types and Agency Funds use the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenues are recorded when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Revenues are available when they are collectible during the period and the actual collection will occur either (a) during the current period or (b) after the end of the period but in time to pay fund liabilities. The County considers revenues to be available if they are expected to be collected within 60 days of the end of the year. Generally, tax revenues, fees and nontax revenues are recognized when received. Property tax revenues are recognized as revenue on January 1 of the year after being levied, when monies are available for use to finance County operations, with proper allowances made for estimated uncollectible accounts and delinquent accounts. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources, except unmatured interest on general long-term debt is recorded when due.

Proprietary and Fiduciary Financial Statements

Proprietary fund types and Pension Trust Fund use the accrual basis of accounting and the flow of all economic resources (measurement focus). This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises; revenues are recorded when earned and expenses are recorded when incurred. Under this basis of accounting and measurement focus, the County applies (a) all GASB pronouncements and (b) FASB Statements and Interpretations, APB Opinions and Accounts Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Granting of Credit

The General Fund grants credit to the State of Michigan and various local units of government in the western Upper Peninsula of Michigan.

Community Mental Health Authority (a component unit) and Medical Care Facility record patient service revenue at established rates. Each has an agreement with third-party payors, which provide for reimbursement of patient service revenue at amounts different from established rates. The primary third-party payors are Medicare and Medicaid. Accounts receivable from patients include amounts due from Medicare and Medicaid.

Airport Operating Fund grants credit to various customers for storage facility space and fuel. Gogebic County Transit grants credit to several local community governmental agencies. Gogebic County Forestry Commission grants credit to several timber purchasers.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Granting of Credit (Continued)

County Road Commission (a component unit) grants credit to various customers for various types of services performed. Included among its customers are several local units of government.

Community Development Block Grant Fund, Economic Development Corporation (a component unit) and Brownfield Redevelopment Authority (a component unit) grant credit in the form of notes receivable to individuals and local corporations.

Budgets

Formal budgetary accounting is employed as a management control for all funds of the County; however, legal budgets are adopted only for the General, Debt Service and Special Revenue Funds. For each fund for which a formal budget is adopted, the same basis of accounting is used to reflect actual revenues and expenditures recognized on the basis of generally accepted accounting principles.

The County follows these procedures in establishing budgetary data shown in the financial statements:

1. Prior to January 1, the County Administrator submits to the County Board of Commissioners a proposed operating budget for the year commencing January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are held to obtain taxpayers' comments.
3. Prior to January 1, the budget is legally enacted by the County Board of Commissioners by passage of the General Appropriations Act. The budget expires on December 31 of the budget year.
4. Any revisions to the budgeted amounts must be approved by the County Board of Commissioners.
5. Budgets for governmental fund types are adopted on a basis consistent with generally accepted accounting principles at the activity level for the General Fund and at the functional level for Debt Service and Special Revenue Funds.
6. Budgeted amounts are as originally adopted plus amendments made on or before December 31 by the County Board of Commissioners.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets (Continued)

7. The budget for the County Road Commission (a component unit) is adopted and administered by the Board of County Road Commissioners. The budget basis of accounting does not differ significantly from the modified accrual basis used to report actual revenues and expenditures. The budget for Community Mental Health Authority (a component unit) is adopted and administered by the Gogebic County Mental Health Board and is budgeted on a program basis.

Cash

Cash applicable to a particular fund is readily identifiable. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the County's investments.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Interest Receivable

Interest on investments and certain receivables is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

Inventories

Inventories of the Medical Care Facility (an Enterprise Fund) are stated at the lower of cost or market; cost is determined by the first-in, first-out method. Inventories of the County Road Commission (a component unit) are stated at cost as determined by the moving-average method.

Payments for immaterial supplies for other funds are recorded as expenditures or expenses at the time of purchase.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation

Capital assets, including land and improvements, buildings, furniture and fixtures, equipment, vehicles and infrastructure assets (roads, bridges, sidewalks and similar items) are reported in the Government-wide financial statements. Capital assets are defined by the County and its component units as assets with an acquisition cost of generally more than \$1,000 or betterments totaling \$20,000 with an estimated useful life in excess of five years. Assets meeting this criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense. The expense is recorded on the Government-wide Statement of Activities and included as a direct expense of an identifiable function if the assets sole purpose can be identified as being for the function. Depreciation expense (unallocated) is the amount of depreciation expense that cannot be charged to any particular function.

The capital assets are depreciated using the straight-line method over the following useful lives (land excluded as not depreciable):

Land improvements	20 years
Buildings	25-50 years
Furniture, fixtures and other equipment	5-20 years
Vehicles	5-10 years
Roads	5-30 years
Other infrastructure	12-50 years

Compensated Absences

The liability for accumulated vacation and sick pay amounts is recorded in the Government-wide Statement of Net Assets.

Long-Term Obligations

The County reports long-term debt and other long-term obligations in the Government-wide Statement of Net Assets. Amounts are recorded at face value along with any accrued interest to December 31, 2007.

Investment in Capital Assets, Net of Related Debt

This is a portion of net assets of the County that consists of capital assets, net of accumulated depreciation and reduced by long-term liabilities for notes, bonds and other debt attributable to the acquisition, construction or improvement of those assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Net Assets

Net assets are restricted when there are constraints placed on their use by external parties or by statute.

Unrestricted Net Assets

Net assets not meeting either criteria above are considered unrestricted.

Fund Balance

In the fund-based financial statements, the unreserved fund balances represent the amount available for budgeting future operations. The reserved fund balances represent the tentative and required plans for future use of financial resources.

Pensions

The provision for pension cost is recorded on an accrual basis, and the County's policy is to fund pension costs as they accrue.

Property Tax Revenues, Taxes Receivable and Deferred Revenue

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 of the ensuing year with the final collection date of February 28 before they are added to the delinquent rolls. The County records property taxes as a receivable and deferred revenue on December 1; the property taxes are then recognized as revenue on January 1 of the following year, when monies are available for use to finance County operations. The County purchases delinquent real property taxes of the County and all local units annually.

Starting December 1, 2004, the State required the County to start a new fund called Revenue Sharing Reserve Fund. All taxes collected in December 2004 for the December 1, 2004 tax levy were deposited into this fund. In 2005, additional tax collections were deposited into this fund until the total deposits equal one-third of the general tax levy for December 1, 2004. Tax collections from the December 1, 2005 tax levy, due to this fund, are to equal one-third of the general tax levy for December 1, 2004. The County deposited this amount in 2006 into this fund. The third and final year for these deposits was from the December 1, 2006 tax levy. These deposits are also equal to one-third of the general tax levy for December 1, 2004. The County deposited this amount in 2007 into this fund. Withdrawals from this new fund are limited to an amount determined by the State. This amount is based upon what the State shared revenue would have been, had this funding not been discontinued.

Vacation, Sick Leave and Other Compensated Absences

County employees are entitled to certain compensated absences based on their length of employment. Compensated absences either vest or accumulate and are accrued when they are earned.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Public Act 275 of 1980 Disclosure

There were accumulated fund-balance/retained-earnings deficits in the Michigan Justice Training Fund, Child Care Fund and Friend of the Court Fund as of December 31, 2007. The Airport Operating Fund had an unrestricted net asset deficit of \$9,098 as of December 31, 2007.

Public Act 621 of 1978 Disclosure

Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended December 31, 2007, Gogebic County was in substantial compliance with this Act.

NOTE C - PROPERTY TAX INFORMATION

A summary of current property taxes levied on December 1, 2007, follows:

	<u>Mills</u>	<u>Levy</u>	<u>Taxable Valuation</u>
General operating	6.5239	\$ 2,803,132	
Gogebic County Transit	0.3255	139,858	
Animal control	0.2000	84,058	
Medical Care Facility - Maintenance of Effort	0.4648	199,711	
Medical Care Facility - Building and Site	0.4000	171,869	
Senior Programs	<u>0.5859</u>	<u>251,744</u>	
TOTALS	<u>8.5001</u>	<u>\$ 3,650,372</u>	<u>\$ 429,671,266</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D - RISK MANAGEMENT

General County Operations

Gogebic County is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The County has purchased commercial insurance for medical benefits claims and participates as a member in the Michigan Municipal Risk Management Authority (the Pool) for claims relating to general liability, excess liability, auto liability, truckline liability, errors and omissions, physical damage (equipment, buildings and contents) and workers' compensation.

The Pool operates as a public entity risk-sharing pool providing property and liability coverage to participating members for local units in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. The County is sharing risk with the other members of the Pool and has a self-insurance retention, excess of deductibles, of up to \$75,000. The deductible is \$1,000 per occurrence for auto, property and crime losses. The Pool provides, after the self-insurance retention, reinsurance up to \$10,000,000 of occurrence-based casualty coverage and property coverage for each incident by internally assuming risks and reinsuring risks through commercial companies.

Community Mental Health Authority

The Community Mental Health Authority (Authority) is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority manages its risk by purchasing insurance coverage through Michigan Municipal Risk Management Authority (MMRMA), a public entity risk pool providing property and liability coverage to its participating members. MMRMA is created by authority granted by the laws of the State of Michigan to provide risk financing and risk management services to eligible Michigan local governments. MMRMA is a separate legal and administrative entity as permitted by Michigan laws. The Authority is eligible to be a member of MMRMA.

Coverage limits vary depending upon the type of claim. Coverage limits can be found in the Coverage Overview Document and are generally up to \$10,000,000 of occurrence-based casualty coverage for each incident and up to \$4,182,797 of occurrence-based property coverage.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D - RISK MANAGEMENT (CONTINUED)

Road Commission

The Road Commission is exposed to various risks of loss related to torts; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Road Commission manages its risk by being a member of the Michigan County Road Commission Self-Insurance Pool (the Pool), a public entity risk pool providing general liability, auto, property and crime insurance coverage to its participating members and also by being a member of the County Road Association Self-Insurance Fund (the Fund), a public entity risk pool providing workers' compensation coverage to its participating members. The Road Commission is sharing risks with other members of the pools and pays an annual premium to each pool for the following coverage:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
General liability	\$10,500,000	\$1,000
Physical damage:		
Building Ordinance Coverage	1,000,000	500
Property in Transit	50,000	500
At Unnamed Locations	10,000	500
Crime	25,000	1,000
Workers' compensation	Statutory limits	0
Employment Practices and Public		
Officials Errors and Omissions	10,000,000	0

The pools provide this coverage to members by internally assuming risks and reinsuring risks through commercial companies. The Pool has reinsurance up to \$10,500,000 and the Fund has reinsurance up to \$10,000,000.

Share of Losses

The County's liabilities for its share of losses are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities can include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. The County Board, Community Mental Health Authority and Road Commission estimate that the potential unpaid and unreported claims do not substantially exceed the amount of self-insurance retention reserves available to pay claims.

The County Board, Community Mental Health Authority and Road Commission carry commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - GOGEBIC COUNTY HOSPITAL FINANCE AUTHORITY

As explained in Note A to the financial statements, the operation of Grand View Hospital was transferred by Gogebic County to North Community Healthcare, Inc., a nonprofit corporation (the Corporation), effective January 1, 1990. North Community Healthcare, Inc. has since changed its name to Grand View Health System, Inc.

During the year ended December 31, 1991, Gogebic County Hospital Finance Authority issued hospital revenue bonds to finance construction of additional hospital facilities. The Hospital Finance Authority remitted the proceeds from the hospital revenue bonds to the Corporation. During the year ended December 31, 1999, these bonds were refinanced and replaced with Series 1999 revenue bonds.

Following is a summary relating to outstanding hospital revenue bonds at December 31, 2007, as presented in the financial statements of Grand View Health System, Inc.:

Hospital revenue bonds, Series 1999 – 5% to 5.875% revenue bonds; interest is payable in semiannual installments, principal is due in increasing annual installments ranging from \$240,000 in 2007 to \$410,000 in 2016; collateralized by the gross receipts of the Hospital, a mortgage on substantially all real property and fixtures thereon and certain monies held in a bond reserve account. The bonds are subject to specific sinking fund installments and to special redemption provisions.

\$2,995,000

Under provisions provided for in the several agreements, the debt is not presented as an obligation of Gogebic County in its statement of net assets. The debt constitutes limited obligations of Gogebic County Hospital Finance Authority, payable solely by the Corporation to Gogebic County Hospital Finance Authority as required by the agreements. The Hospital revenue bonds are subject to a mortgage lien and are further collateralized by a pledge of Hospital gross receipts. The Hospital revenue bonds do not represent a general obligation of Gogebic County or of the Hospital Finance Authority; they are presented as a liability in the financial statements of the Corporation.

NOTE F - CASH AND INVESTMENT INFORMATION

Cash

The County Treasurer is the depository agent for cash balances of the various funds. These cash balances are combined for investment purposes, and a detailed accounting of cash balances allocable to the various funds is maintained by the County Treasurer.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - CASH AND INVESTMENT INFORMATION

Cash (Continued)

Deposits were made in accordance with State of Michigan statutes and under authorization of the County Board of Commissioners. The carrying amount of deposits and cash on hand is separately displayed on the balance sheet as "Cash". For purposes of the Statement of Cash Flows - Proprietary Fund Types, cash includes cash and investments in money market and municipal investment funds. Following is a summary of the carrying amount of cash (which is substantially equal to the bank balances) at December 31, 2007:

	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>	<u>Total</u>
Cash on Hand and Deposits:			
Cash on hand	\$ 1,200		\$ 1,200
Deposits in banks insured by federal depository insurance:			
Insured (FDIC)	1,011,515	\$ 100,000	1,111,515
Uncollateralized and uninsured	<u>5,774,204</u>	<u>522,644</u>	<u>6,296,848</u>
	<u>\$ 6,786,919</u>	<u>\$ 622,644</u>	<u>\$ 7,409,563</u>

Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the County's investing activities are managed under the custody of the County Treasurer. Investing is performed in accordance with investment policies adopted by the County Board complying with State Statutes and the County Charter.

Michigan Compiled Laws, Section 129.91, authorizes the County to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involve no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bonds or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - CASH AND INVESTMENT INFORMATION (CONTINUED)

Investments (Continued)

Under the County policy, the County may not invest in reverse repurchase agreements, derivative instruments created from, whose value depends on, or is derived from, the value of one or more underlying assets or indices of asset values and/or has no call options prior to the County's desired maturity or is a variable rate instrument.

Interest Rate Risk is the risk that changes in interest rate will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The County policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. Unless matched to a specific cash flow, investments are not made in securities maturing more than five years from the date of purchase. Concentration of Credit Risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer. Cumulatively, portfolios of the County may not be invested in any given financial institution in excess of 5% of such institution's total assets. Additionally, no more than 5% of the total County portfolio may be placed with any single financial institution with the exception of repurchase agreements. U.S. government securities are excluded from these restrictions.

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities in the possession of an outside party. County policy provides that investment collateral is held by a third party custodian with whom the County has a current custodial agreement in the County's name.

Investment policies provide for investment managers who have full discretion of assets allocated to them subject to the overall investment guidelines set out in the policies. Manager performance is reviewed by a consultant who provides reports to the respective governing boards. Any changes in the investment management firm must be reported as they occur.

The County's retirement system's investments are held in book-entry form by the investment fiduciaries, Charles Schwab & Co., Inc. and Guggenheim Real Estate. Michigan Compiled Laws, Section 38.1132, authorizes the County retirement system to invest in a wide variety of investments including stocks, bonds, certificates of deposit, annuity contracts obligations of a specified nature and real or personal property. Specific limitations apply to the various investment types depending on the size of the system.

The County's deposits and investments are in accordance with statutory authority.

Investments of the governmental and proprietary fund types include only dollar denominated money market and municipal investment funds and bank certificates of deposit.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - CASH AND INVESTMENT INFORMATION (CONTINUED)

Investments (Continued)

Investments of the Pension Trust Fund are stated for financial-statement purposes as follows:

U.S. Treasury and Agency securities, domestic stocks, domestic and international bonds, and equity mutual funds are reported at fair market value. Interest is credited to investment income as received by or accrued and reported to the County by the investment trustee. Money market funds are reported at carrying value, which equals fair market value.

The County's investments are summarized below by investment type and Fund. All Pension Trust Fund investments are insured or registered or for which the securities are held by the County or its agent in the County's name.

The County does not have available to it the average credit quality rating and weighted average to maturity for disclosure.

PRIMARY GOVERNMENT

Investment Type

Pension Trust Fund:

Mutual funds	\$ 38,656,045
Money market funds	<u>172,598</u>

Total Pension Investments	\$ 38,828,643
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All Other Primary Government Fund Types -

Certificates of deposit and money market and municipal investment funds	<u>322,591</u>
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Total Primary Government Investments	\$ 39,151,234
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Agency Funds -

Money market and municipal investment funds	1,012,960
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COMPONENT UNITS

Money market and municipal investment funds	<u>1,393,027</u>
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	<u>\$ 41,557,221</u>
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - CASH AND INVESTMENT INFORMATION (CONTINUED)

Investments (Continued)

The Employees' Retirement System Fund had net assets of \$38,830,029 held in trust for pension benefits at December 31, 2007. There were no investments which represented more than five percent of the net assets available for benefits. The County had \$1,042,227 of investments in Guggenheim Real Estate Plus Trust. Because this is not a publicly traded security, the market value is not published.

There were no investments in, loans to, or leases with parties related to the pension plan.

NOTE G - RECEIVABLES INFORMATION

Accounts Receivable

Balance of accounts receivable at December 31, 2007, follows:

Primary government:		
Medical Care Facility (net of \$10,000 allowance)		\$ 657,337
Component units:		
Road Commission	\$ 111,652	
Community Mental Health Authority (net of \$2,500 allowance)	150,115	
Western U.P. Manpower Consortium	<u>10,903</u>	<u>272,670</u>
		<u>\$ 930,007</u>

Taxes Receivable - Delinquent

General Fund - Taxes Receivable includes the current 2007 levy for animal control and for Medical Care Facility maintenance of effort of \$261,645 (net of taxes collected during the month of December 2007) and delinquent personal property taxes of \$66,568.

Enterprise Fund and Internal Service Fund - Taxes Receivable consist of delinquent personal property taxes for Gogebic County Transit of \$953, Medical Care Facility of \$157,914 and \$679,656 of unpaid delinquent real property taxes which were purchased from all of the taxing units in Gogebic County by the County's Delinquent Tax Revolving Fund.

Allowances for Uncollectibles

Allowances for uncollectibles total \$10,000 in Enterprise Funds and \$2,500 in Component Units. Component units also include an allowance for uncollectible portion of notes receivable of \$50,000. Allowances in other funds are not considered to be material in amount.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - RECEIVABLES INFORMATION (CONTINUED)

Notes Receivable

Following is a summary of monies the County has loaned to local corporations and to individuals to be used for additions and improvements to industrial facilities and housing:

		<u>Balance at December 31, 2007</u>
Primary Government:		
Community Development Block Grant Fund -		
Various interest rate loans to individuals, due in varying monthly installments, including interest, payable in full at varying dates, the latest being July 1, 2009.		\$ 43,825
Component Unit:		
Economic Development Corporation:		
7.5% loan to local corporation, due in monthly installments of \$594, including interest, payable in full on April 1, 2014.	\$ 35,449	
6.5% loan to local corporation, due in monthly installments of \$350, including interest, payable in full on June 1, 2009.	26,725	
5.0% loan to local corporation, due in monthly installments of \$1,888, including interest, was payable in full on July 25, 2005. No principal payments were received since loan origination in year 2000.	50,000	
Less allowances for uncollectible portion (50,000)		\$ 62,174
Brownfield Redevelopment Authority -		
5.5% loan to local corporation, due in annual installments of \$15,000, including interest, payable in full in February 2013.		<u>100,000</u>
Total Component Unit		<u>\$162,174</u>
TOTAL		<u>\$205,999</u>

The County is accounting for the notes receivable in its Community Development Block Grant Fund, Economic Development Corporation and Brownfield Redevelopment Authority. Principal and interest collected on the block grant loans to individuals are restricted for future block grant housing improvements. Principal and interest collected on the economic development loans to local corporations are restricted for economic development purposes. The Economic Development Corporation has adopted an economic development plan, which allows for spending of the monies. The Brownfield Redevelopment Authority will use collections on this note to pay on a loan it owns to City of Ironwood Economic Development Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - RECEIVABLES INFORMATION (CONTINUED)

Notes Receivable (Continued)

The Economic Development Corporation entered a default judgment against the local corporation in Michigan and Wisconsin in the amount of \$50,000, plus interest, other costs and attorney fees and interest continues to accrue.

NOTE H - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

Certain employees of Gogebic County are covered by collective bargaining agreements. General courthouse employees other than elected and appointed officials, employees of the Road Commission, Gogebic County Airport, police officers and employees of the Medical Care Facility each have their own collective bargaining agreements. Some of these agreements are scheduled for expiration within the next year or have already expired.

The Gogebic County Airport services the Gogebic County, Michigan and Iron County, Wisconsin, market areas. One airline company provides essential airline service to the airport. Subsequent to December 31, 2007, the airline company discontinued services to the airport. Another airline company has since replaced the former provider.

Gogebic County Medical Care Facility provides nursing service to patients, most of whom are covered by Medicare and Medicaid.

NOTE I - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables resulting from various interfund transactions were as follows at December 31, 2007:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payables</u>
General Fund	\$ 22,124	Trust and Agency	\$ 22,124
Fair Board	1,277	Trust and Agency	1,277
Airport Capital Improvement	<u>4,773</u>	Airport Operating	<u>4,773</u>
	<u>\$ 28,174</u>		<u>\$ 28,174</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J - INTERFUND TRANSFERS

Transfers of cash between the various County funds are budgeted and reported separately from revenues and expenditures as operating transfers in (out). A summary of net interfund transfers for the year ended December 31, 2007, follows:

	Transfers from other funds	Transfers to other funds
Operating transfers:		
General Fund	\$ 700,372	\$ 581,527
Special revenue funds	268,800	312,172
Enterprise funds	195,227	388,200
Community Mental Health Authority	<u>117,500</u>	
Total Operating Transfers	<u>\$ 1,281,899</u>	<u>\$ 1,281,899</u>

NOTE K - RESTRICTED NET ASSETS

Following is a summary of restricted portions of fund balance for individual funds at December 31, 2007:

<u>Fund</u>	<u>Purpose</u>	<u>Amount of Reserve</u>
Primary Government:		
General	Maintenance of effort tax collections	\$ 92,855
Debt Service	Debt service	<u>143</u>
		\$ 92,998
Proprietary:		
Forest and Parks Commission	Roads	\$ 25,000
Gogebic County Transit	Future unemployment claims	3,593
Medical Care Facility	Capital projects/residential activities	<u>3,795</u>
		\$ 32,388
		<u>\$ 125,386</u>
Component Units:		
Economic Development Corporation	Long-term portion of notes receivable	\$ 55,045
Community Mental Health Authority	Employee benefits	6,635
Brownfield Redevelopment Authority	Long-term portion of notes receivable	<u>85,000</u>
		<u>\$ 146,680</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE L - FIXED ASSETS

Changes in governmental activities, business-type activities and component unit capital assets are summarized below:

	Balance at January 1, <u>2007</u>	<u>Additions</u>	<u>Disposals</u>	Balance December 31, <u>2007</u>
<u>Governmental Activities</u>				
General:				
Land	\$ 25,000			\$ 25,000
Buildings	2,560,450	\$ 225,000	\$ 325,600	2,459,850
Furniture and fixtures	<u>1,570,666</u>	<u>109,846</u>		<u>1,680,512</u>
	\$ 4,156,116	\$ 334,846	\$ 325,600	\$ 4,165,362
Less accumulated depreciation	<u>2,495,579</u>	<u>161,765</u>	<u>222,946</u>	<u>2,434,398</u>
Total Governmental Activities	\$ 1,660,537	\$ 173,081	\$ 102,654	\$ 1,730,964
<u>Business-Type Activities</u>				
Major Funds				
Medical Care Facility:				
Land and improvements	\$ 238,525	\$ 38,830		\$ 277,355
Buildings	2,831,829	264,324		3,096,153
Equipment and vehicles	<u>1,065,042</u>	<u>27,517</u>		<u>1,092,559</u>
	\$ 4,135,396	\$ 330,671		\$ 4,466,067
Less accumulated depreciation	<u>2,690,777</u>	<u>187,854</u>		<u>2,878,631</u>
	\$ 1,444,619	\$ 142,817	\$ 0	\$ 1,587,436
Airport - Operating:				
Land and improvements	\$ 7,123,769			\$ 7,123,769
Buildings	813,155	\$ 47,118		860,273
Equipment and vehicles	<u>601,249</u>	<u>4,092</u>	\$ 2,300	<u>603,041</u>
	\$ 8,538,173	\$ 51,210	\$ 2,300	\$ 8,587,083
Less accumulated depreciation	<u>7,150,831</u>	<u>170,712</u>	<u>2,300</u>	<u>7,319,243</u>
	\$ 1,387,342	\$ (119,502)	\$ 0	\$ 1,267,840

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE L - FIXED ASSETS (CONTINUED)

	Balance at January 1, <u>2007</u>	<u>Additions</u>	<u>Disposals</u>	Balance December 31, <u>2007</u>
<u>Business-Type Activities (Continued)</u>				
<u>Major Funds (Continued)</u>				
Airport - Capital Improvement				
Buildings and fencing	\$ 777,408	\$ 93,503		\$ 870,911
Equipment and vehicles	<u>370,191</u>	<u>377,452</u>	<u>\$ 500</u>	<u>747,143</u>
	\$ 1,147,599	\$ 470,955	\$ 500	\$ 1,618,054
Less accumulated depreciation	<u>252,192</u>	<u>81,545</u>	<u>241</u>	<u>333,496</u>
	\$ 895,407	\$ 389,410	\$ 259	\$ 1,284,558
Forestry and Parks Commission:				
Land and improvements	\$ 326,979	\$ 2,500		\$ 329,479
Buildings	<u>207,964</u>	<u>7,771</u>		<u>215,735</u>
Equipment and vehicles	<u>175,993</u>	<u>48,011</u>	<u>\$ 15,000</u>	<u>209,004</u>
	\$ 710,936	\$ 58,282	\$ 15,000	\$ 754,218
Less accumulated depreciation	<u>155,707</u>	<u>27,541</u>	<u>6,001</u>	<u>177,247</u>
	\$ 555,229	\$ 30,741	\$ 8,999	\$ 576,971
<u>Nonmajor Funds:</u>				
Fair Board:				
Land and improvements	\$ 3,233			\$ 3,233
Buildings	<u>782,026</u>			<u>782,026</u>
Equipment and vehicles	<u>19,185</u>			<u>19,185</u>
	\$ 804,444	\$ 0		\$ 804,444
Less accumulated depreciation	<u>153,248</u>	<u>13,053</u>		<u>166,301</u>
	\$ 651,196	\$ (13,053)		\$ 638,143
Gogebic County Transit:				
Land and improvements	\$ 37,557			\$ 37,557
Buildings	<u>572,555</u>			<u>572,555</u>
Equipment and vehicles	<u>510,118</u>	<u>\$ 123,164</u>	<u>\$ 112,505</u>	<u>520,777</u>
	\$ 1,120,230	\$ 123,164	\$ 112,505	\$ 1,130,889
Less accumulated depreciation	<u>674,282</u>	<u>79,488</u>	<u>112,505</u>	<u>641,265</u>
	\$ 445,948	\$ 43,676	\$ 0	\$ 489,624
Construction in progress	<u>65,103</u>	<u>64,665</u>	<u>65,103</u>	<u>64,665</u>
Total Business-Type Activities	\$ 5,444,844	\$ 538,754	\$ 74,361	\$ 5,909,237
Total Primary Government	\$ 7,105,381	\$ 711,835	\$ 177,015	\$ 7,640,201

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE L - FIXED ASSETS (CONTINUED)

	Balance at January 1, <u>2007</u>	<u>Additions</u>	<u>Disposals</u>	Balance December 31, <u>2007</u>
<u>Component Units</u>				
Gogebic County Road Commission:				
Land and improvements	\$ 1,617			\$ 1,617
Infrastructure	7,441,184	\$2,906,609		10,347,793
Buildings	793,534			793,534
Equipment	<u>5,361,946</u>	<u>248,170</u>	<u>\$ 300,084</u>	<u>5,310,032</u>
	\$13,598,281	\$3,154,779	\$ 300,084	\$ 16,452,976
Less accumulated depreciation	<u>5,603,117</u>	<u>681,610</u>	<u>300,084</u>	<u>5,984,643</u>
	\$ 7,995,164	\$2,473,169	\$ 0	\$ 10,468,333
Community Mental Health Authority:				
Land	\$ 7,717			\$ 7,717
Buildings	2,469,897			2,469,897
Furniture and fixtures	<u>960,590</u>	<u>\$ 14,942</u>	<u>\$ 7,432</u>	<u>968,100</u>
	\$ 3,438,204	\$ 14,942	\$ 7,432	\$ 3,445,714
Less accumulated depreciation	<u>1,305,321</u>	<u>111,912</u>	<u>6,569</u>	<u>1,410,664</u>
	\$ 2,132,883	\$ (96,970)	\$ 863	\$ 2,035,050
Western U.P. Manpower Consortium:				
Equipment	\$ 138,585	\$ 14,731		\$ 153,316
Less accumulated depreciation	<u>100,358</u>	<u>14,102</u>		<u>114,460</u>
	<u>\$ 38,227</u>	<u>\$ 629</u>	<u>\$ 0</u>	<u>\$ 38,856</u>
Total Component Units	<u>\$10,166,274</u>	<u>\$2,376,828</u>	<u>\$ 863</u>	<u>\$ 12,542,239</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE L - FIXED ASSETS (CONTINUED)

The Airport Capital Improvement had construction in progress for a fuel tank, taxi street and hangar site of \$18,765 at December 31, 2007. Total cost is expected to be \$141,000 and to be completed in 2008. Federal and state grants will fund about \$89,000 of the expected cost. Also in construction in progress is \$45,900 for a sprinkler system at the Medical Care Facility. Total cost is expected to be \$162,000 and to be completed in 2008. The Medical Care Facility will fund this project.

NOTE M - LONG-TERM DEBT

There are a number of limitations and restrictions contained in the various debt instruments. The County is in compliance with all significant limitations and restrictions.

The following is a summary of bond, note and installment debt transactions of the County for the year ended December 31, 2007:

	Bonds and Notes Payable at January 1, <u>2007</u>	New Debt <u>Incurred</u>	Debt <u>Retired</u>	Bonds and Notes Payable at December 31, <u>2007</u>
<u>Primary Government</u>				
General obligation indebtedness	\$ 370,000		\$ 70,000	\$ 300,000
Note payable to bank	<u>58,532</u>		<u>14,545</u>	<u>43,987</u>
Total Primary Government	\$ 428,532		\$ 84,545	\$ 343,987
<u>Component Units</u>				
Notes payable to bank	\$ 74,388		\$ 28,385	\$ 46,003
Notes payable to EDC		\$ 100,000		100,000
Capital lease payable	<u>1,500,000</u>		<u>145,000</u>	<u>1,355,000</u>
Total Component Units	\$ 1,574,388	\$ 100,000	\$ 173,385	\$ 1,501,003
	<u>\$ 2,002,920</u>	<u>\$ 100,000</u>	<u>\$ 257,930</u>	<u>\$ 1,844,990</u>

Total interest expense for the year was \$26,528 for the Primary Government and \$71,455 for the Component Unit.

The Water Supply and Sewage Disposal bonds were issued under the provisions of Act 185, Public Acts of Michigan, 1957, as amended. These bonds are payable primarily from the proceeds of certain specified contractual payments to be made to the County by the City of Ironwood, Michigan, pursuant to contracts referred to in the bonds.

The notes payable were used to finance a fuel tank at the airport and six automobiles and a Kubota tractor for the Mental Health Authority.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE M - LONG-TERM DEBT (CONTINUED)

The notes payable to EDC is due from the Brownfield Redevelopment Authority to City of Ironwood Economic Development Commission. Property tax rebates, due to a local corporation, will be received by this Authority; which will use these proceeds to pay the loan due to the City of Ironwood.

The following is a summary of the County's long-term debt outstanding as of December 31, 2007:

	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
<u>Primary Government</u>			
General obligation indebtedness:			
1990 Water Supply System Bonds	6.80-7.40%	2010	\$ 95,000
1991 Sewage Disposal System Bonds	6.90-7.10%	2011	<u>205,000</u>
Total General Obligation Indebtedness			\$ 300,000
Note payable to bank	3.60%	2010	<u>43,987</u>
Total Primary Government			\$ 343,987
<u>Component Units</u>			
Notes payable to bank	4.40-5.11%	2010	\$ 46,003
Note payable to EDC	5.50%	2013	100,000
Capital lease payable	6.90-7.875%	2015	<u>1,355,000</u>
Total Component Units			\$ 1,501,003
TOTAL LONG-TERM DEBT			<u>\$ 1,844,990</u>

The annual principal and interest requirements to maturity for all long-term indebtedness outstanding are as follows:

	<u>Year ending December 31,</u>					
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013-2017</u>
<u>Primary Government</u>						
General obligation	\$ 96,528	\$ 96,145	\$100,400	\$ 58,904	\$ 0	\$ 0
Note payable to bank	<u>16,432</u>	<u>16,432</u>	<u>15,009</u>			
Total Primary Government	\$ 112,960	\$112,577	\$115,409	\$ 58,904	\$ 0	\$ 0
<u>Component Unit</u>						
Note payable to bank	\$ 29,838	\$ 14,997	\$ 6,230			
Note payable to EDC	15,000	15,000	15,000	\$ 15,000	\$ 15,000	\$ 49,564
Capital lease payable	<u>204,181</u>	<u>203,081</u>	<u>206,681</u>	<u>200,081</u>	<u>198,275</u>	<u>588,285</u>
Total Component Unit	\$ 249,019	\$233,078	\$227,911	\$215,081	\$213,275	\$ 637,849
	<u>\$ 361,979</u>	<u>\$345,655</u>	<u>\$343,320</u>	<u>\$273,985</u>	<u>\$213,275</u>	<u>\$ 637,849</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE N – COMMUNITY MENTAL HEALTH AUTHORITY BUILDING LEASE

During February 1995 the Authority entered into a 20-year lease with its component unit to lease a clinic and administrative operations building and a group home. The payments are to be sufficient to provide for the principal and interest due on the bonds issued by its component unit to construct the buildings. On February 28, 2005, this lease was updated as the component unit issued 2005 Revenue Refunding Bonds of \$1,635,000 and used the proceeds to refund the original bonds of \$1,520,000. The interest rates vary from 4% to 4.625%. At the end of the lease, the ownership of the buildings is to be turned over to Gogebic County, Michigan, with no financial obligation to the County and for the County to manage at its discretion. The principal value of the bonds has been capitalized and recorded as a capital asset. The required lease payments are sufficient to cover its component unit's principal and interest payment due on October 1 and April 1 of each year. The present value of the net minimum lease payments is equal to the total principal due on the bonds of the component unit. A summary of the annual payments follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 150,000	\$ 54,181	\$ 204,181
2009	155,000	48,081	203,081
2010	165,000	41,681	206,681
2011	165,000	35,081	200,081
2012	170,000	28,275	198,275
2013	175,000	20,941	195,941
2014	185,000	12,950	197,950
2015	190,000	4,394	194,394
	<u>\$ 1,355,000</u>	<u>\$ 245,584</u>	<u>\$ 1,600,584</u>

NOTE O - OPERATING LEASES

During the year the Community Mental Health Authority leased buildings for various programs, computer software and a postage meter and paid \$43,824 under operating leases.

Western U.P. Manpower Consortium leases office space under various operating leases. Rent expense for 2007 was \$116,586. The Consortium also leases various buildings and equipment for specific programs on a short-term basis. There are no future lease obligations associated with any of the leases. Rent expense for these types of rental agreements is minimal with no future lease obligations.

Future minimum rental payments for each of the five years ending December 31, 2012, excluding payments on the Community Mental Health Authority building lease described in Note N above, are:

2008	\$42,008
2009	42,008
2010	16,673
2011	0
2012	0

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE P - ACCUMULATED ABSENCES AND POST EMPLOYMENT BENEFITS

Under contracts negotiated with employees, individual employees have a vested right to receive payments for unused sick, personal and vacation leave. The dollar amount of these vested rights, which is recorded in the financial statements as a liability as of December 31, 2007, is \$599,672 for the primary government and \$546,530 for discretely presented component units.

Following is a summary of employment policies related to accumulated absences:

General County Operations

Sick leave is earned in varying amounts depending upon union or nonunion employee status, is generally limited to 1 or 1-1/4 day for each completed monthly period of service and may generally be accumulated in unlimited amounts.

General County employees receive cash payment upon retirement of one-half of accumulated sick days at \$50 per day with an 80-day maximum payout. Certain appointed officials receive cash payment of one-half of accumulated sick days at current salary rates. The sick leave liability recorded in the financial statements represents only that amount that would be payable should an employee retire.

Vacation pay is not paid upon termination of employment. No liability for unused vacation pay is reported in the County's financial statements.

Community Mental Health Authority

The Community Mental Health Authority has a written policy providing for payment for sick, personal and vacation leave. All compensated absences are combined as Paid Time Off and the employees have the option of selling sick leave back to the Community Mental Health Authority or converting it to Paid Time Off at a ratio of two for one. Each employee's accumulated Paid Time Off is computed by applying current rates of pay times total accumulated hours, as limited by the policy. The total, \$220,535, is reported in the financial statements as a liability.

Gogebic County Transit

Gogebic County Transit has a written policy providing for payment of sick and vacation leave. Payment in lieu of accrued sick leave is limited to \$20 per day for one-half of accumulated leave days. Payment of vacation leave upon termination of employment is limited to thirty leave days. Each employee's accumulated vacation and sick pay is computed by applying his current rate of pay times total accumulated leave, subject to the limits. The total, \$21,911, is reported in the financial statements as a liability.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE P - ACCUMULATED ABSENCES AND POST EMPLOYMENT BENEFITS (CONTINUED)

Road Commission

Road Commission employment policies provide that each full-time employee shall earn one day of sick leave credit for each month of service. Sick leave credits may be accumulated to a maximum of 120 days. Payment of 50% of accumulated benefits will be made when an employee dies, is discharged or laid off and 60% of benefits paid at normal retirement. 25% of accumulated benefits is made to an employee who voluntarily separates from employment with the Road Commission. The total, \$305,898, is reported in the financial statements as a liability.

Western U.P. Manpower Consortium

Consortium employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of the employee. The Consortium records expenditures for vacation at the time it is used or when paid out at the time of retirement. A liability of \$20,097 is recorded in the financial statements at December 31, 2007.

NOTE Q - RETIREMENT SYSTEM

Gogebic County administers the Gogebic County Employees Retirement System. The plan's assets may be used only for the payment of benefits to the members of that plan, in accordance with the terms of the plan.

Summary of Significant Accounting Policies

Basis of Accounting - Gogebic County's retirement financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments - Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair value.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE Q - RETIREMENT SYSTEM (CONTINUED)

Plan Description and Contribution Information

Membership of the plan consisted of the following at December 31, 2006, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	202
Terminated plan members entitled to but not yet receiving benefits	26
Active plan members	335
Members in deferred retirement option plan	<u>9</u>
Total	<u>572</u>

Retirement System Pension Plan

Plan Description - Retirement System is a single-employer defined benefit pension plan that covers the employees of Gogebic County, including all departments and agencies. Retirement System provides retirement, disability and death benefits to plan members and their beneficiaries. County ordinance assigns the authority to establish and amend the benefit provisions of the plan to the Board of Commissioners.

Member Contributions

General (hired prior to January 1, 1994, or hired after December 31, 1993, with five or more years of service), Medical Care Facility - AFSCME, Road Commission (with eight or more years of service), elected and appointed officials (hired prior to March 31, 1993 or after April 1, 1993, with five or more years of service) and WPPA: none.

Community Mental Health: Residential and non-residential pays 6.2% of annual compensation.

General (hired between January 1, 1994 and July 1, 2004, and having less than five years of service or hired after July 1, 2004,) Elected and appointed officials (hired after January 1, 1994 and having less than five years of service or hired after January 1, 2005), Airport (hired between January 1, 1994 and July 1, 2004, with less than 5 years of service or hired after July 1, 2004), Cooks, Manpower, and Road Commission (with less than eight years of service), WPPA (hired after July 1, 2004) and Medical Care Facility (non-AFSCME): 3% of the first \$4,200 of annual compensation plus 5% of annual compensation in excess of \$4,200. Effective August 1, 2001, Airport employees contribute an additional 1.0% and General employees contribute an additional 1.0%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE Q - RETIREMENT SYSTEM (CONTINUED)

Regular Retirement

Eligibility:

Elected and Appointed Officials	Sum of age and years of service equal 80 with a minimum age of 55, or age 60 with 8 years of service
WPPA (Wisconsin Professional Police Association), Airport Group	Age 55 with 25 years of service, or age 60 with 8 years of service
Manpower Medical Care Facility SEIU Local 79	Sum of age and years of service equal 70, or age 60 with 8 years of service
Community Mental Health	Sum of age and years of service equal 70, any age with 20 years of service, or age 60 with 8 years of service
Others	Age 55 with 30 years of service, or age 60 with 8 years of service

Annual Amount:

Medical Care Facility AFSCME, RN, SEIU Local 79, Cooks, Road Commission, Administrator, Admin Staff and Manpower	Total credited service multiplied by 2.0% of final average compensation (FAC)
Elected and Appointed Officials, WPPA and Community Mental Health	Total credited service multiplied by 2.5% of FAC
General County and Airport	Total credited service multiplied by 2.25% of FAC
Others	Total credited service multiplied by 1.6% of FAC

Maximum County-financed portion is 75% of final average compensation.

Type of Final Average Compensation – Generally, highest 5 consecutive years out of last 10 years of credited service, with the following exceptions:

General County members, WPPA, Community Mental Health, Airport and Medical Care Facility administrative staff use highest 3 consecutive years out of the last 10 years.

Road Commission members with 30 or more years of service use highest 3 consecutive years out of the last 5 years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE Q - RETIREMENT SYSTEM (CONTINUED)

Deferred Retirement (vested benefit):

Eligibility - Eight years of service; 10 years of service for WPPA members hired after July 1, 2004. Benefit begins when member would have attained normal retirement age based on service at time of termination.

Annual Amount - Same as regular retirement but based upon service and final average compensation at time of termination.

The plan also provides benefits for both duty and non-duty disability and death.

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF FUNDING PROGRESS (in thousands of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	(Overfunded) Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	(AAL) UAAL as a Percentage of Covered Payroll ((b - a) / c)
2004	\$32,809	\$36,277	\$3,468	90%	\$10,974	32%
2005	34,372	38,103	3,731	90	10,723	35
2006	36,748	41,952	5,204	88	10,531	49

Year Ended December 31,	Retirement System	
	Annual Required Contribution	Percentage Contributed
2004	\$1,285,019	100 %
2005	1,044,009	100
2006	1,124,550	100

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE Q - RETIREMENT SYSTEM (CONTINUED)

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	<u>Retirement System</u>
Valuation date	December 31, 2006
Actuarial cost method	Individual entry age
Amortization method for unfunded actuarial accrued liabilities	Level percent open
Remaining amortization period	30 years
Amortization method for temporary funding credits	Level percent open
Remaining amortization period	12 years
Asset valuation method	5-year smoothed market method
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases, including wage inflation at 4.5%	4.5% - 9%
Cost-of-living adjustments	None

NOTE R - DEFINED CONTRIBUTION PENSION PLAN

All full-time employees of Gogebic County Transit are covered by a simplified employee pension plan administered by Transamerica Occidental Life. The Plan is a defined contribution plan covering all employees who are at least 21 years old and who have performed services for the Transit in at least three of the immediately preceding five years.

The Transit contributes 7.5% of each employee's annual wages. Employees do not make contributions to the Plan. All participants are fully vested immediately. During the year ended September 30, 2007, the Transit made contributions to the Plan of \$15,066.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE S – POST-EMPLOYMENT HEALTH BENEFITS

Employees Covered by Retirement System

As part of the pension benefits described in Note Q, the County provides post-employment health care benefits in accordance with a resolution adopted by the County Commission, to all members of the Gogebic County Deputy Sheriff's Association employed by the County, the Elected and Appointed Officials of the County and the Forestry Commission who retire from the County, up to age 65, under the following terms. Elected County Officials and Forestry Commission: sum of age and years of service equal to 80 with minimum age of 55, or age 60 with 8 years of service; County Deputy Sheriff's Association members: age 55 with 25 years of service, or at age 60 with 8 years of service. The County contributions are financed on an actuarially determined basis through annual contributions to the Voluntary Employees' Beneficiary Association (VEBA) Fund. The same significant actuarial assumptions, accounting policies and methods used to value investments are used to determine the County's contributions as explained in Note Q.

Eligible membership consisted of the following at December 31, 2005, the date of the latest actuarial valuation.

	<u>Retirement System</u>
Retirees and beneficiaries receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	0
Active members	<u>37</u>
	<u>39</u>

The County is required to provide periodic contributions to the plans at actuarially determined rates. Plan members hired after January 1, 2005, pay 1% of their salary as contributions to the plan.

NOTE T – COMMITMENT

On June 1, 1998, Gogebic County and Wakefield Township entered into a \$450,000 economic development financing agreement (the agreement) with the State of Michigan. The agreement provided 50 percent of the monies needed to develop property (the project) in a State designated Renaissance Zone in Wakefield Township. The agreement was initially funded with a \$450,000 Community Development Block Grant administered by the Michigan Jobs Commission. The remaining 50 percent was provided by the Lac Vieux Desert Band of Chippewa Indians.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE T – COMMITMENT (CONTINUED)

The State offset any monies it advanced under the agreement via application of a formula that provided for a \$20,000 reduction for each qualifying new job created. Any shortfall was to become a liability of both Wakefield Township and Gogebic County on May 31, 2005. A repayment schedule was to be determined by the State at that time if necessary. Gogebic County and Wakefield Township each pledged all payments they are eligible to receive under 1971 PA 140 as collateral for any State advances not offset by new job creation. Wakefield Township committed to reimbursing the County for any County liability incurred. As of December 31, 2007, there was no shortfall of jobs created and Gogebic County is not liable for any liability under the agreement.

All administrative, financial and reporting responsibilities have been assumed by Wakefield Township. Accordingly, financial statements relating to the project are included in the Township's annual financial statements.

NOTE U – DEFERRED COMPENSATION PLANS

The County offers its employees a choice of several deferred compensation plans created in accordance with Internal Revenue Code Section 457. Because the County does not have an established trust agreement with the Plan trustees, does not provide investment advice and does not administer the Plan, the County has not established a fiduciary relationship with the Plan. Therefore, the Plan assets are not included in the financial statements of the County.

NOTE V – COMMUNITY MENTAL HEALTH AUTHORITY

Retirement System

The Authority participates in Gogebic County's single-employer defined benefit pension plan that covers substantially all of its employees. County ordinance assigns the authority to establish and amend the benefit provisions of the plan to the County Board of Commissioners.

Essentially all employees are eligible to participate in the System. All employees who retire at or after the time when the sum of age plus years of credited service is equal to 70, or age 60 with 8 years of credited service, or 20 years of service, are entitled to annual retirement benefit, payable monthly for life, equal to total service years times 2.5% of final average compensation. Final average compensation is the employee's highest three years out of the last ten.

Benefits fully vest upon reaching 8 years of service. The System also provides death and disability benefits. Benefits are established by State statute. The Authority makes all required payments for its members.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE V – COMMUNITY MENTAL HEALTH AUTHORITY (CONTINUED)

Retirement System (Continued)

On December 2, 2003, the employees of the Authority voted to opt out of social security and elected an alternative to the social security benefit package. The alternative to the social security benefit package included enhancements to the current defined benefit pension plan through Gogebic County and the addition of a 401(a) money purchase plan. The enhancements to the pension plan included an increase in multiplier to 2.5% for both non-residential and residential employees, change in the final average compensation to the best three out of the last ten years, addition of the Deferred Retirement Option Plan (DROP), the cost of the 70 and out plan, and other options available at the time of retirement. With the enhancements of the alternative to social security plan, the contributions into the pension plan for employees are 20.2%. This contribution is funded by a 6.2% employee contribution and a 14% employer contribution. The employer also contributes 2.64% for non-residential employees and 1.45% for residential employees into the 401(a) money purchase plan.

Employer retirement contributions for the year ended September 30, 2007, 2006 and 2005, were \$325,592, \$341,101 and \$286,207, respectively, in accordance with actuarially determined contribution requirements.

NOTE W - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The County maintained five Enterprise Funds during the year ended December 31, 2007. Services provided by the Funds include medical care, airport, forestry, fair and public transportation services. Segment information for the year ended December 31, 2007, was as follows:

	Medical Care Facility	Airport Operating	Capital Improvement
Operating revenues	\$ 8,095,295	\$ 507,377	\$ 24,323
Operating expenses	<u>8,176,202</u>	<u>839,494</u>	<u>95,240</u>
Operating income (loss)	\$ (80,907)	\$ (332,117)	\$ (70,917)
Nonoperating revenues (expenses) (excluding tax revenues)	0	0	(108)
Tax revenues	165,173	0	0
Operating transfers in (out)	0	172,881	17,346
Federal and state grants	<u>0</u>	<u>0</u>	<u>419,099</u>
Increase (decrease) in net assets	\$ 84,266	\$ (159,236)	\$ 365,420
Net assets at January 1, 2007	<u>2,864,890</u>	<u>1,417,978</u>	<u>977,627</u>
Net assets at December 31, 2007	<u>\$ 2,949,156</u>	<u>\$ 1,258,742</u>	<u>\$ 1,343,047</u>
Total net assets:			
Invested in capital assets	\$ 1,633,336	\$ 1,267,840	\$ 1,259,336
Restricted	3,795	0	0
Unrestricted (deficit)	<u>1,312,025</u>	<u>(9,098)</u>	<u>83,711</u>
Total net assets	<u>\$ 2,949,156</u>	<u>\$ 1,258,742</u>	<u>\$ 1,343,047</u>
Long-term debt - payable from operating revenues (including portion payable within one year)	0	0	43,987
Total liabilities	1,036,879	91,178	43,987
Land, buildings and equipment:			
Additions	330,671	51,210	470,955
Deletions	0	2,300	500
Net cash provided by (used in):			
Operating activities	\$ 36,588	\$ (112,911)	\$ 24,755
Capital and related financing activities	(178,180)	(51,210)	(34,897)
Noncapital financing activities	0	172,881	18,931
Investing activities	<u>0</u>	<u>0</u>	<u>0</u>
Net increase (decrease) in cash and cash equivalents	\$ (141,592)	\$ 8,760	\$ 8,789
Cash and cash equivalents at January 1, 2007	<u>1,609,398</u>	<u>15,045</u>	<u>70,149</u>
Cash and cash equivalents at December 31, 2007	<u>\$ 1,467,806</u>	<u>\$ 23,805</u>	<u>\$ 78,938</u>

STATEMENTS (CONTINUED)

<u>Forestry and Parks Commission</u>	<u>Fair Board</u>	<u>Gogebic County Transit</u>	<u>Total Enterprise Funds</u>
\$ 522,858	\$ 133,590	\$ 55,811	\$ 9,339,254
<u>355,738</u>	<u>166,836</u>	<u>503,340</u>	<u>10,136,850</u>
\$ 167,120	\$ (33,246)	\$ (447,529)	\$ (797,596)
18,825	33,298	20,209	72,224
0	0	135,361	300,534
(388,200)	5,000	0	(192,973)
<u>0</u>	<u>0</u>	<u>363,455</u>	<u>782,554</u>
\$ (202,255)	\$ 5,052	\$ 71,496	\$ 164,743
<u>965,833</u>	<u>659,915</u>	<u>678,074</u>	<u>7,564,317</u>
<u>\$ 763,578</u>	<u>\$ 664,967</u>	<u>\$ 749,570</u>	<u>\$ 7,729,060</u>
\$ 576,971	\$ 638,143	\$ 489,624	\$ 5,865,250
25,000	0	3,593	32,388
<u>161,607</u>	<u>26,824</u>	<u>256,353</u>	<u>1,831,422</u>
<u>\$ 763,578</u>	<u>\$ 664,967</u>	<u>\$ 749,570</u>	<u>\$ 7,729,060</u>
0	0	0	43,987
76,196	0	35,128	1,283,368
58,282	0	123,164	1,034,282
27,541	0	112,505	142,846
\$ 224,268	\$ (21,136)	\$ (366,491)	\$ (214,927)
(46,834)	0	7,820	(303,301)
(388,200)	38,298	384,186	226,096
<u>213,480</u>	<u>0</u>	<u>8,902</u>	<u>222,382</u>
\$ 2,714	\$ 17,162	\$ 34,417	\$ (69,750)
<u>46,592</u>	<u>8,385</u>	<u>137,056</u>	<u>1,886,625</u>
<u>\$ 49,306</u>	<u>\$ 25,547</u>	<u>\$ 171,473</u>	<u>\$ 1,816,875</u>

REQUIRED
SUPPLEMENTAL
INFORMATION

BUDGETARY COMPARISON SCHEDULE - MAJOR GOVERNMENTAL FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2007

	General Fund			Revenue Sharing Reserve Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues:						
Taxes	\$ 3,095,975	\$ 3,143,975	\$ 3,146,474	\$ 788,924	\$ 788,924	\$ 788,924
Licenses and permits	20,715	20,715	20,022			
Federal grants	351,590	454,855	476,478			
State grants	664,853	674,863	652,429			
Contributions from local units	80,702	80,702	93,023			
Charges for services	585,456	585,456	645,998			
Fines and forfeits	54,600	71,747	69,688			
Interest and rents	149,280	182,916	257,057			
Other revenues	43,100	43,100	69,340			
Total Revenues	\$ 5,046,271	\$ 5,258,329	\$ 5,430,509	\$ 788,924	\$ 788,924	\$ 788,924
Expenditures:						
Current expenditures:						
Legislative	\$ 64,169	\$ 67,669	\$ 69,081			
Judicial	832,678	832,678	848,458			
General government	1,096,736	1,107,564	1,100,562			
Public safety	1,244,882	1,442,612	1,368,550			
Health and welfare	405,238	405,238	375,920			
Other functions	1,402,516	1,402,516	1,344,786			
Capital outlay	114,202	339,202	328,125			
Total Expenditures	\$ 5,160,421	\$ 5,597,479	\$ 5,435,482	\$ 0	\$ 0	\$ 0
Excess (Deficiency) of Revenues Over Expenditures	\$ (114,150)	\$ (339,150)	\$ (4,973)	\$ 788,924	\$ 788,924	\$ 788,924
Other financing sources:						
Operating transfers in (out)	(70,559)	117,641	118,845	(312,172)	(312,172)	(312,172)
Proceeds from sale of building		36,800	44,825			
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	\$ (184,709)	\$ (184,709)	\$ 158,697	\$ 476,752	\$ 476,752	\$ 476,752
Fund balance at January 1, 2007	528,175	528,175	528,175	847,577	847,577	847,577
FUND BALANCE AT DECEMBER 31, 2007	\$ 343,466	\$ 343,466	\$ 686,872	\$ 1,324,329	\$ 1,324,329	\$ 1,324,329

The accompanying notes are an integral part of the financial statements.

OTHER
FINANCIAL
INFORMATION

COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2007

	General Fund	Special Revenue Funds	Debt Service Fund	Total
ASSETS				
Cash	\$ 647,649	\$ 1,642,692	\$ 143	\$ 2,290,484
Receivables (net, where applicable, of allowances for uncollectibles):				
Taxes	328,213			328,213
State of Michigan	82,735	24,324		107,059
Federal government	71,642	29,264		100,906
Notes		43,825		43,825
Other	46,549	29,836		76,385
Due from other funds	<u>22,124</u>			<u>22,124</u>
	<u>\$ 1,198,912</u>	<u>\$ 1,769,941</u>	<u>\$ 143</u>	<u>\$ 2,968,996</u>
LIABILITIES AND COUNTY EQUITY				
Accounts payable	\$ 57,379	\$ 79,467		\$ 136,846
Salaries and wages and related liabilities	104,324			104,324
Deferred revenues	<u>350,337</u>	<u>72,049</u>		<u>422,386</u>
Total Liabilities	<u>\$ 512,040</u>	<u>\$ 151,516</u>	<u>\$ 0</u>	<u>\$ 663,556</u>
County equity:				
Fund balance:				
Reserved	\$ 92,855		\$ 143	\$ 92,998
Unreserved	<u>594,017</u>	<u>\$ 1,618,425</u>		<u>2,212,442</u>
Total County Equity	<u>\$ 686,872</u>	<u>\$ 1,618,425</u>	<u>\$ 143</u>	<u>\$ 2,305,440</u>

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2007

	General Fund	Special Revenue Funds	Debt Service Fund	Total
Revenues:				
Taxes	\$ 3,146,474	\$ 990,714		\$ 4,137,188
Licenses and permits	20,022			20,022
Federal grants	476,478	275,692		752,170
State grants	652,429	168,917		821,346
Contributions from local units	93,023	8,777	\$ 97,756	199,556
Charges for services	645,998	184,801		830,799
Fines and forfeits	69,688			69,688
Interest and rents	257,057	1,785		258,842
Other revenues	69,340	122,671		192,011
Total Revenues	\$ 5,430,509	\$ 1,753,357	\$ 97,756	\$ 7,281,622
Expenditures:				
Current expenditures:				
Legislative	\$ 69,081			\$ 69,081
Judicial	848,458	\$ 13,206		861,664
General government	1,100,562			1,100,562
Public safety	1,368,550	183,416		1,551,966
Health and welfare	375,920	984,059		1,359,979
Recreation and culture		83,469		83,469
Other functions	1,344,786			1,344,786
Capital outlay	328,125	6,721		334,846
Debt service			\$ 97,756	97,756
Total Expenditures	\$ 5,435,482	\$ 1,270,871	\$ 97,756	\$ 6,804,109
Excess (Deficiency) of Revenues Over Expenditures	\$ (4,973)	\$ 482,486	\$ 0	\$ 477,513
Other financing sources (uses):				
Operating transfers in (out)	118,845	(43,372)		75,473
Proceeds from sale of building	44,825			44,825
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ 158,697	\$ 439,114	\$ 0	\$ 597,811
Fund balance at January 1, 2007	528,175	1,179,311	143	1,707,629
FUND BALANCE AT DECEMBER 31, 2007	\$ 686,872	\$ 1,618,425	\$ 143	\$ 2,305,440

The accompanying notes are an integral part of the financial statements.

BALANCE SHEET - GENERAL FUND

GOGEBIC COUNTY, MICHIGAN

December 31, 2007

ASSETS

Cash		\$	647,649
Receivables:			
Current property taxes	\$	261,645	
Delinquent personal property taxes		66,568	
State of Michigan		82,735	
Federal government		71,642	
Other		<u>46,549</u>	529,139
Due from other funds			<u>22,124</u>
			<u>\$ 1,198,912</u>

LIABILITIES AND FUND BALANCE

Liabilities:			
Accounts payable		\$	57,379
Salaries and wages			104,324
Deferred revenue			<u>350,337</u>
	Total Liabilities	\$	512,040
Fund balance:			
Reserved for maintenance of effort	\$	92,855	
Unreserved		<u>594,017</u>	<u>686,872</u>
			<u>\$ 1,198,912</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES - ESTIMATED AND ACTUAL - GENERAL FUND

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2007

	Estimated Revenue	Actual Revenue	Variance Favorable (Unfavorable)
Taxes:			
Current property taxes:			
General operating	\$ 2,804,010	\$ 2,804,466	\$ 456
Medical Care Facility maintenance of effort	189,066	193,157	4,091
Animal control	81,139	83,116	1,977
Delinquent property taxes	8,500	8,323	(177)
Commercial forest reserve	52,000	48,244	(3,756)
Other taxes	<u>9,260</u>	<u>9,168</u>	<u>(92)</u>
	\$ 3,143,975	\$ 3,146,474	\$ 2,499
Licenses and permits	20,715	20,022	(693)
Federal grants:			
Payment in lieu of taxes	\$ 310,766	\$ 307,281	\$ (3,485)
Cooperative reimbursements	35,000	40,316	5,316
2006 Emergency management performance	660	1,564	904
2007 Emergency management performance	5,164	5,164	
2005 Law Enforcement Terrorism	3,281	3,221	(60)
2005 Homeland Security Equipment	5,342	5,342	
USDA equipment	1,000	9,000	8,000
USDA equipment	22,000	22,000	
DEA seizure grant		10,948	10,948
USDA weather transmitter	<u>71,642</u>	<u>71,642</u>	
	\$ 454,855	\$ 476,478	\$ 21,623
State grants:			
State revenue sharing	\$ 9,702	\$ 8,383	\$ (1,319)
Liquor fees	35,360	35,920	560
Judges' salary supplement	247,956	245,881	(2,075)
Court funding	127,981	113,336	(14,645)
Sheriff and marine safety grants	134,124	125,579	(8,545)
Survey and remonumentation	116,240	115,815	(425)
Prisoner work release fees	<u>3,500</u>	<u>7,515</u>	<u>4,015</u>
	\$ 674,863	\$ 652,429	\$ (22,434)

STATEMENT OF REVENUES - ESTIMATED AND ACTUAL - GENERAL FUND (CONTINUED)

	Estimated Revenue	Actual Revenue	Variance Favorable (Unfavorable)
Contributions from local units:			
Ontonagon County district court costs	\$ 8,000	\$ 12,520	\$ 4,520
Township liquor licenses	12,000	11,178	(822)
Wage reimbursements	<u>60,702</u>	<u>69,325</u>	<u>8,623</u>
	\$ 80,702	\$ 93,023	\$ 12,321
Charges for services:			
Departmental fees and services	\$ 408,200	\$ 454,979	\$ 46,779
Sheriff law enforcement services	<u>177,256</u>	<u>191,019</u>	<u>13,763</u>
	\$ 585,456	\$ 645,998	\$ 60,542
Fines and forfeits	71,747	69,688	(2,059)
Interest and rents:			
Interest earned	\$ 133,636	\$ 203,666	\$ 70,030
Rentals and leases	<u>49,280</u>	<u>53,391</u>	<u>4,111</u>
	\$ 182,916	\$ 257,057	\$ 74,141
Other revenues:			
Refunds and rebates	\$ 35,000	\$ 57,483	\$ 22,483
Miscellaneous	<u>8,100</u>	<u>11,857</u>	<u>3,757</u>
	\$ 43,100	\$ 69,340	\$ 26,240
Total Revenues	\$ 5,258,329	\$ 5,430,509	\$ 172,180
Other financing sources:			
Operating transfers in:			
Revenue Sharing Reserve Fund	\$ 310,968	\$ 312,172	\$ 1,204
Forestry and Parks Commission	388,200	388,200	
Proceeds from sale of building	<u>36,800</u>	<u>44,825</u>	<u>8,025</u>
	\$ 735,968	\$ 745,197	\$ 9,229
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 5,994,297	\$ 6,175,706	\$ 181,409

The accompanying notes are an integral part of the financial statements.

STATEMENT OF APPROPRIATIONS AND EXPENDITURES - GENERAL FUND

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2007

	Appropriations	Expenditures	Variance Favorable (Unfavorable)
Current Expenditures:			
Legislative - Board of Commissioners	\$ 67,669	\$ 69,081	\$ (1,412)
Judicial:			
Circuit court	\$ 153,927	\$ 153,062	\$ 865
District court	259,013	251,766	7,247
Probate court	346,918	371,431	(24,513)
Indigent attorney contract	69,000	69,051	(51)
Jury commission	<u>3,820</u>	<u>3,148</u>	<u>672</u>
	\$ 832,678	\$ 848,458	\$ (15,780)
General government:			
Administration	\$ 60,687	\$ 60,572	\$ 115
Elections	12,265	10,738	1,527
Clerk/Register of Deeds	193,194	193,346	(152)
Equalization	112,446	112,694	(248)
Prosecuting Attorney	194,677	191,662	3,015
Survey and remonumentation	116,240	116,169	71
Treasurer	106,271	106,455	(184)
Data processing	74,617	77,803	(3,186)
Building and grounds	148,500	143,046	5,454
Cooperative extension	72,666	74,576	(1,910)
Drain Commissioner	1	1	
Audit	<u>16,000</u>	<u>13,500</u>	<u>2,500</u>
	\$ 1,107,564	\$ 1,100,562	\$ 7,002
Public safety:			
Sheriff department	\$ 986,248	\$ 971,676	\$ 14,572
Sheriff department - Bessemer/Wakefield Cities	158,055	137,737	20,318
Sheriff department - road patrol	56,819	55,188	1,631
Marine law enforcement	12,789	4,749	8,040
ORV law enforcement	12,899	13,442	(543)
Snowmobile enforcement	35,025	22,949	12,076
Emergency services	98,440	87,484	10,956
Animal control	<u>82,337</u>	<u>75,325</u>	<u>7,012</u>
	\$ 1,442,612	\$ 1,368,550	\$ 74,062

STATEMENT OF APPROPRIATIONS AND EXPENDITURES - GENERAL FUND (CONTINUED)

	Appropriations	Expenditures	Variance Favorable (Unfavorable)
Current Expenditures: (Continued)			
Health and welfare:			
District health	\$ 101,084	\$ 101,084	
Veterans affairs	21,032	21,032	
Medical Care Facility maintenance of effort	189,275	161,047	\$ 28,228
Medical examiners	16,300	18,548	(2,248)
Mine inspector	2,880	1,394	1,486
Soldiers and sailors relief	6,920	4,920	2,000
Soil erosion	18,415	18,414	1
Soil conservation	2,550	2,550	
Western U.P. Substance Abuse	17,680	17,960	(280)
Commission on Aging	12,000	12,800	(800)
Western U.P. Planning and Regional Development	7,454	7,454	
U.P.C.A.P.	800	800	
Cigarette tax	6,848	5,917	931
Human Services Coordinating Board	<u>2,000</u>	<u>2,000</u>	
	\$ 405,238	\$ 375,920	\$ 29,318
Other functions:			
Employees' health insurance	\$ 838,000	\$ 781,011	\$ 56,989
Insurance, bonds and fringes	117,816	137,647	(19,831)
Unemployment compensation	8,000	1,624	6,376
Workers' compensation	68,000	54,114	13,886
Employees' retirement	293,500	294,338	(838)
Prescription co-pay	35,000	25,558	9,442
Optical reimbursements	18,900	22,361	(3,461)
Tax reimbursements	3,300	8,232	(4,932)
Duplicating and office supplies	<u>20,000</u>	<u>19,901</u>	<u>99</u>
	\$ 1,402,516	\$ 1,344,786	\$ 57,730
Total Current Expenditures	\$ 5,258,277	\$ 5,107,357	\$ 150,920
Capital outlay	<u>339,202</u>	<u>328,125</u>	<u>11,077</u>
Total Expenditures	\$ 5,597,479	\$ 5,435,482	\$ 161,997

STATEMENT OF APPROPRIATIONS AND EXPENDITURES - GENERAL FUND (CONTINUED)

	Appropriations	Expenditures	Variance Favorable (Unfavorable)
Other financing uses - appropriation transfers out:			
Mental Health Fund	\$ 117,500	\$ 117,500	
Child Care Fund	220,000	220,000	
Economic Development Commission	15,000	15,000	
Friend of Court	25,000	25,000	
Fair Board	5,000	5,000	
Law Library Fund	8,800	8,800	
Airport:			
Operating	172,881	172,881	
Capital Improvement	<u>17,346</u>	<u>17,346</u>	
	<u>\$ 581,527</u>	<u>\$ 581,527</u>	<u>\$ 0</u>
 TOTAL EXPENDITURES AND OTHER FINANCING USES	 <u>\$ 6,179,006</u>	 <u>\$ 6,017,009</u>	 <u>\$ 161,997</u>

The accompanying notes are an integral part of the financial statements.

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2007

	Revenue Sharing Reserve Fund	Child Care Fund	Economic Development Commission	Friend of the Court Fund	Community Development Block Grant Fund	Other Special Revenue Funds*	Totals
ASSETS							
Cash	\$ 1,324,329		\$ 58,158		\$ 5,128	\$ 255,077	\$ 1,642,692
Receivables:							
Federal government				\$ 29,264			29,264
State of Michigan					24,324		24,324
Notes from individuals					43,825		43,825
Other						29,836	29,836
	<u>\$ 1,324,329</u>	<u>\$ 0</u>	<u>\$ 58,158</u>	<u>\$ 29,264</u>	<u>\$ 73,277</u>	<u>\$ 284,913</u>	<u>\$ 1,769,941</u>

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS (CONTINUED)

	Revenue Sharing Reserve Fund	Child Care Fund	Economic Development Commission	Friend of the Court Fund	Community Development Block Grant Fund	Other Special Revenue Funds*	Totals
LIABILITIES AND FUND BALANCE (DEFICIT)							
Liabilities:							
Accounts payable	\$	21,749	\$	37,714	\$	16,227	\$ 79,467
Deferred revenue					43,825	28,224	72,049
	\$	0	\$	0	\$	44,451	\$ 151,516
Unreserved Fund Balance (Deficit)	1,324,329	(21,749)	58,158	(8,450)	25,675	240,462	1,618,425
	\$ 1,324,329	\$ 0	\$ 58,158	\$ 29,264	\$ 73,277	\$ 284,913	\$ 1,769,941

NOTES: The date of the balance sheet of Community Development Block Grant Fund is September 30, 2007.

* Detail on pages 89 and 90.

The accompanying notes are an integral part of the financial statements.

COMBINING BALANCE SHEET - OTHER SPECIAL REVENUE FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2007

	County Parks Fund	Law Library Fund	Drug Enforcement Fund	Veterans' Trust Fund	Michigan Justice Training Fund	Crime Victims' Rights Fund	911 Service Fund	Senior Citizens Programs Fund
ASSETS								
Cash	\$ 31,056	\$ 12,991	\$ 10,582	\$ 2,310	\$ (4,174)	\$ 26,387	\$ 54,422	\$ 29,836
Receivables - Other								
	<u>\$ 31,056</u>	<u>\$ 12,991</u>	<u>\$ 10,582</u>	<u>\$ 2,310</u>	<u>\$ (4,174)</u>	<u>\$ 26,387</u>	<u>\$ 54,422</u>	<u>\$ 29,836</u>
LIABILITIES AND FUND BALANCE (DEFICIT)								
Liabilities:								
Accounts payable	\$ 680	\$ 1,312					\$ 11,678	\$ 1,612
Deferred revenue								<u>28,224</u>
	\$ 680	\$ 1,312	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,678	\$ 29,836
	<u>30,376</u>	<u>11,679</u>	<u>10,582</u>	<u>2,310</u>	<u>(4,174)</u>	<u>26,387</u>	<u>42,744</u>	
Unreserved Fund Balance (Deficit)	<u>\$ 31,056</u>	<u>\$ 12,991</u>	<u>\$ 10,582</u>	<u>\$ 2,310</u>	<u>\$ (4,174)</u>	<u>\$ 26,387</u>	<u>\$ 54,422</u>	<u>\$ 29,836</u>

NOTE: The date of the balance sheet of the Senior Citizens Programs Fund is September 30, 2007.

COMBINING BALANCE SHEET - OTHER SPECIAL REVENUE FUNDS (CONTINUED)

	Register of Deeds Automation Fund	Gogebic County Search and Rescue Fund	Probation Supervision Restitution Fund	Drunk Driving Impact Panel Fund	Dare Fund	Victims Advocacy Fund	Drug Forfeiture Fund	Totals
ASSETS								
Cash	\$ 108,150	\$ 1,412		\$ 203	\$ 950	\$ 9,877	\$ 911	\$ 255,077
Receivables - Other								29,836
	<u>\$ 108,150</u>	<u>\$ 1,412</u>	<u>\$ 0</u>	<u>\$ 203</u>	<u>\$ 950</u>	<u>\$ 9,877</u>	<u>\$ 911</u>	<u>\$ 284,913</u>
LIABILITIES AND FUND BALANCE								
Liabilities:								
Accounts payable	\$ 945							\$ 16,227
Deferred revenue								28,224
	<u>\$ 945</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 44,451</u>
Unreserved Fund Balance	107,205	1,412	0	203	950	9,877	911	240,462
	<u>\$ 108,150</u>	<u>\$ 1,412</u>	<u>\$ 0</u>	<u>\$ 203</u>	<u>\$ 950</u>	<u>\$ 9,877</u>	<u>\$ 911</u>	<u>\$ 284,913</u>

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2007

	Revenue Sharing Reserve Fund	Child Care Fund	Economic Development Commission	Friend of the Court Fund	Community Development Block Grant Fund	Other Special Revenue Funds*	Totals
Revenues:							
Taxes	\$ 788,924			\$ 174,517	\$ 95,175	\$ 201,790	\$ 990,714
Federal grants		\$ 52,238				6,000	275,692
State grants						116,679	168,917
Contributions from local units			\$ 5,000		3,777		8,777
Charges for services		35,128		14,291		135,382	184,801
Interest and rents			1,785				1,785
Other revenues			25,307		20,597	76,767	122,671
	\$ 788,924	\$ 87,366	\$ 32,092	\$ 188,808	\$ 119,549	\$ 536,618	\$ 1,753,357
Expenditures:							
Current:							
Judicial						\$ 13,206	\$ 13,206
Public safety						183,416	183,416
Health and welfare		\$ 391,754	\$ 39,316	\$ 227,403	\$ 108,868	216,718	984,059
Recreation and culture						83,469	83,469
Capital outlay						6,721	6,721
	\$ 0	\$ 391,754	\$ 39,316	\$ 227,403	\$ 108,868	\$ 503,530	\$ 1,270,871

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS (CONTINUED)

	Revenue Sharing Reserve Fund	Child Care Fund	Economic Development Commission	Friend of the Court Fund	Community Development Block Grant Fund	Other Special Revenue Funds*	Totals
Excess (Deficiency) of Revenues Over Expenditures	\$ 788,924	\$ (304,388)	\$ (7,224)	\$ (38,595)	\$ 10,681	\$ 33,088	\$ 482,486
Other financing sources (uses) - operating transfers in (out)	(312,172)	220,000	15,000	25,000		8,800	(43,372)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ 476,752	\$ (84,388)	\$ 7,776	\$ (13,595)	\$ 10,681	\$ 41,888	\$ 439,114
Fund balance at January 1, 2007	847,577	62,639	50,382	5,145	14,994	198,574	1,179,311
FUND BALANCE (DEFICIT) AT DECEMBER 31, 2007	\$ 1,324,329	\$ (21,749)	\$ 58,158	\$ (8,450)	\$ 25,675	\$ 240,462	\$ 1,618,425

NOTES: The fiscal year of the Community Development Block Grant Fund is October 1, 2006 to September 30, 2007.

*Detail on page 93 and 94.

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - OTHER SPECIAL REVENUE FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2007

	County Parks Fund	Law Library Fund	Drug Enforcement Fund	Veterans' Trust Fund	Michigan Justice Training Fund	Crime Victims' Rights Fund	911 Service Fund	Senior Citizens Programs Fund
Revenues:								
Taxes								\$ 201,790
Federal grants				\$ 2,555		\$ 7,400	\$ 6,000	
State grants	\$ 95,585	\$ 2,500	\$ 15,010		\$ 1,645		106,724	13,947
Charges for services							53,968	
Other revenues	\$ 95,585	\$ 2,500	\$ 15,010	\$ 2,555	\$ 1,645	\$ 7,400	\$ 166,692	\$ 215,737
Expenditures:								
Current:								
Judicial		\$ 9,261						
Public safety			\$ 4,804	\$ 981	\$ 6,313	\$ 6,448	\$ 149,205	\$ 215,737
Health and welfare	\$ 83,469						6,721	
Recreational and culture								
Capital outlay	\$ 83,469	\$ 9,261	\$ 4,804	\$ 981	\$ 6,313	\$ 6,448	\$ 155,926	\$ 215,737
Excess (Deficiency) of								
Revenues Over Expenditures	\$ 12,116	\$ (6,761)	\$ 10,206	\$ 1,574	\$ (4,668)	\$ 952	\$ 10,766	\$ 0
Other financing source -								
operating transfers in		8,800						
Excess (Deficiency) of								
Revenues and Other Financing	\$ 12,116	\$ 2,039	\$ 10,206	\$ 1,574	\$ (4,668)	\$ 952	\$ 10,766	\$ 0
Source Over Expenditures	18,260	9,640	376	736	494	25,435	31,978	0
Fund balance at January 1, 2007								
FUND BALANCE (DEFICIT)	\$ 30,376	\$ 11,679	\$ 10,582	\$ 2,310	\$ (4,174)	\$ 26,387	\$ 42,744	\$ 0
AT DECEMBER 31, 2007								

NOTE: The fiscal year of the Senior Citizens Programs Fund is October 1, 2006 to September 30, 2007.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - OTHER SPECIAL REVENUE FUNDS (CONTINUED)

	Register of Deeds Automation Fund	Gogebic County Search and Rescue Fund	Probation Supervision Restitution Fund	Drunk Driving Impact Panel Fund	Dare Fund	Victims Advocacy Fund	Drug Forfeiture Fund	Totals
Revenues:								
Taxes								\$ 201,790
Federal grants								6,000
State grants								116,679
Charges for services	\$ 25,850				\$ 20	\$ 3,374	\$ 250	135,382
Other revenues								<u>76,767</u>
	\$ 25,850	\$ 0	\$ 0		\$ 20	\$ 3,374	\$ 250	\$ 536,618
Expenditures:								
Current:								
Judicial	\$ 3,945							\$ 13,206
Public safety		\$ 500	\$ 14,296				\$ 1,850	183,416
Health and welfare								216,718
Recreation and culture								83,469
Capital outlay								<u>6,721</u>
	\$ 3,945	\$ 500	\$ 14,296		\$ 0	\$ 0	\$ 1,850	\$ 503,530
Excess (Deficiency) of								
Revenues Over Expenditures	\$ 21,905	\$ (500)	\$ (14,296)		\$ 20	\$ 3,374	\$ (1,600)	\$ 33,088
Other financing source - operating transfers in								<u>8,800</u>
Excess (Deficiency) of								
Revenues and Other Financing								
Source Over Expenditures	\$ 21,905	\$ (500)	\$ (14,296)		\$ 20	\$ 3,374	\$ (1,600)	\$ 41,888
	<u>85,300</u>	<u>1,912</u>	<u>14,296</u>	<u>\$ 203</u>	<u>930</u>	<u>6,503</u>	<u>2,511</u>	<u>198,574</u>
Fund balance at January 1, 2007								
	\$ 107,205	\$ 1,412	\$ 0	\$ 203	\$ 950	\$ 9,877	\$ 911	\$ 240,462
FUND BALANCE AT DECEMBER 31, 2007								

The accompanying notes are an integral part of the financial statements.

COMBINING BALANCE SHEET - DEBT SERVICE FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2007

	Water Supply System Bonds	Sewage Disposal System Bonds	Total
ASSETS			
Cash	\$ 143	\$ 0	\$ 143
FUND BALANCE			
Fund balance - reserved for debt service	\$ 143	\$ 0	\$ 143

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - DEBT SERVICE FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2007

	Water Supply System Bonds	Sewage Disposal System Bonds	Total
Revenues - contractual payments from City of Ironwood	\$ 40,448	\$ 57,308	\$ 97,756
Expenditures:			
Debt Service:			
Principal retirement	\$ 30,000	\$ 40,000	\$ 70,000
Interest	9,220	17,308	26,528
Fiscal charges	<u>1,228</u>	<u> </u>	<u>1,228</u>
	<u>\$ 40,448</u>	<u>\$ 57,308</u>	<u>\$ 97,756</u>
Excess of Revenues Over Expenditures	\$ 0	\$ 0	\$ 0
Fund balance at January 1, 2007	<u>143</u>	<u>0</u>	<u>143</u>
FUND BALANCE AT DECEMBER 31, 2007	<u>\$ 143</u>	<u>\$ 0</u>	<u>\$ 143</u>

The accompanying notes are an integral part of the
financial statements.

COMBINING STATEMENT OF NET ASSETS - ENTERPRISE FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2007

	Major Funds				Nonmajor Funds			Totals
	Medical Care Facility	Airport Operating	Capital Improvement	Forestry and Parks Commission	Total Major Funds	Fair Board	Gogebic County Transit	Total Nonmajor Funds

ASSETS

Current Assets:								
Cash and cash equivalents	\$ 527,468	\$ 23,805	\$ 78,938	\$ 49,306	\$ 679,517	\$ 25,547	\$ 171,473	\$ 197,020
Temporary investments				213,497	213,497		109,094	109,094
Patient accounts receivable	667,337				667,337			667,337
Less allowances	(10,000)				(10,000)			(10,000)
Other accounts receivable	8,021	30,521			38,542		3,079	41,621
Property taxes receivable	157,914				157,914		953	158,867
Grants receivable			4,773		4,773	1,277	6,301	6,301
Due from other funds	46,326	27,754			74,080		1,277	6,050
Inventories	15,295				15,295		4,174	74,080
Prepaid expenses								19,469
Total Current Assets	\$ 1,412,361	\$ 82,080	\$ 83,711	\$ 262,803	\$ 1,840,955	\$ 26,824	\$ 295,074	\$ 321,898
								\$ 2,162,853

Noncurrent Assets:

Land, Buildings and Equipment:								
Land, buildings and equipment	\$ 4,466,067	\$ 8,587,083	\$ 1,618,054	\$ 754,218	\$ 15,425,422	\$ 804,444	\$ 1,130,889	\$ 1,935,333
Less allowances for depreciation	(2,878,631)	(7,319,243)	(333,496)	(177,247)	(10,708,617)	(166,301)	(641,265)	(807,566)
	\$ 1,587,436	\$ 1,267,840	\$ 1,284,558	\$ 576,971	\$ 4,716,805	\$ 638,143	\$ 489,624	\$ 1,127,767
Construction in progress	45,900		18,765		64,665			64,665
	\$ 1,633,336	\$ 1,267,840	\$ 1,303,323	\$ 576,971	\$ 4,781,470	\$ 638,143	\$ 489,624	\$ 1,127,767
								\$ 5,909,237

Other Assets :

Cash reserved for:								
Funded depreciation	\$ 926,342				\$ 926,342			\$ 926,342
Other restricted	13,996				13,996			13,996
	\$ 940,338				\$ 940,338			\$ 940,338
	\$ 3,986,035	\$ 1,349,920	\$ 1,387,034	\$ 839,774	\$ 7,562,763	\$ 664,967	\$ 784,698	\$ 1,449,665
								\$ 9,012,428

COMBINING STATEMENT OF NET ASSETS - ENTERPRISE FUNDS (CONTINUED)

	Major Funds					Nonmajor Funds			Totals
	Medical Care Facility	Operating	Airport	Capital Improvement	Forestry and Parks Commission	Total Major Funds	Fair Board	Gogebic County Transit	Total Nonmajor Funds
Liabilities:									
Current liabilities:									
Accounts payable	\$ 282,430	\$ 7,968			\$ 36,070	\$ 326,468		\$ 12,559	\$ 339,027
Salaries and wages and related liabilities	230,428	10,696			6,722	247,846		658	248,504
Deferred revenue	168,115	9,425				177,540			177,540
Due to other funds		4,773				4,773			4,773
Current portion of long-term debt			\$ 15,091			15,091			15,091
Total Current Liabilities	\$ 680,973	\$ 32,862	\$ 15,091	\$ 42,792	\$ 771,718	\$ 0	\$ 13,217	\$ 13,217	\$ 784,935
Non Current Liabilities:									
Note payable to bank,									
net of current portion			\$ 28,896			\$ 28,896			\$ 28,896
Deferred revenue-rent		\$ 31,525				31,525			31,525
Accrued sick and vacation pay	\$ 355,906	26,791			\$ 33,404	416,101		\$ 21,911	438,012
Total Long-term Liabilities	\$ 355,906	\$ 58,316	\$ 28,896	\$ 33,404	\$ 476,522	\$ 0	\$ 21,911	\$ 21,911	\$ 498,433
Total Liabilities	\$ 1,036,879	\$ 91,178	\$ 43,987	\$ 76,196	\$ 1,248,240	\$ 0	\$ 35,128	\$ 35,128	\$ 1,283,368
NET ASSETS									
Net Assets:									
Invested in capital assets,									
net of related debt	\$ 1,633,336	\$ 1,267,840	\$ 1,259,336	\$ 576,971	\$ 4,737,483	\$ 638,143	\$ 489,624	\$ 1,127,767	\$ 5,865,250
Restricted	3,795			25,000	28,795		3,593	3,593	32,388
Unrestricted (Deficit)	1,312,025	(9,098)	83,711	161,607	1,548,245	26,824	256,353	283,177	1,831,422
Total Net Assets	\$ 2,949,156	\$ 1,258,742	\$ 1,343,047	\$ 763,578	\$ 6,314,523	\$ 664,967	\$ 749,570	\$ 1,414,537	\$ 7,729,060

Note: The date of the balance sheet of Gogebic County Transit is September 30, 2007.

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - ENTERPRISE FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2007

	Major Funds				Nonmajor Funds			Totals
	Medical Care Facility	Airport Operating	Capital Improvement	Forestry and Parks Commission	Total Major Funds	Fair Board	Gogebic County Transit	Total Nonmajor Funds
Operating revenues - sales and charges for services, net	\$ 7,962,061	\$ 450,039	\$ 4,773	\$ 519,441	\$ 8,936,314	\$ 133,590	\$ 55,811	\$ 189,401
Other operating revenues	133,234	57,338	19,550	3,417	213,539			213,539
	\$ 8,095,295	\$ 507,377	\$ 24,323	\$ 522,858	\$ 9,149,853	\$ 133,590	\$ 55,811	\$ 189,401
Operating expenses:								
Salaries, fees and fringe benefits	\$ 5,918,729	\$ 280,050		\$ 245,953	\$ 6,444,732	\$ 17,946	\$ 324,202	\$ 342,148
Services, materials and other operating expenses	2,068,990	388,733	11,808	82,244	2,551,775	135,837	99,650	235,487
Depreciation provisions	187,854	170,711	81,545	27,541	467,651	13,053	79,488	92,541
Provision for bad debts	629				629			629
Interest			1,887		1,887			1,887
	\$ 8,176,202	\$ 839,494	\$ 95,240	\$ 355,738	\$ 9,466,674	\$ 166,836	\$ 503,340	\$ 670,176
	\$ (80,907)	\$ (332,117)	\$ (70,917)	\$ 167,120	\$ (316,821)	\$ (33,246)	\$ (447,529)	\$ (480,775)
Operating Income (Loss)								
Nonoperating revenues (expenses):								
Property taxes	\$ 165,173				\$ 165,173		\$ 135,361	\$ 135,361
Federal grants		\$ 342,933			342,933		171,002	171,002
State grants		76,166			76,166	\$ 33,298	192,453	225,751
Interest				\$ 18,825	18,825		12,389	12,389
Gain (loss) on asset disposal			(108)		(108)		7,820	7,712
	\$ 165,173	\$ 0	\$ 418,991	\$ 18,825	\$ 602,989	\$ 33,298	\$ 519,025	\$ 552,323
	\$ 165,173	\$ 0	\$ 418,991	\$ 18,825	\$ 602,989	\$ 33,298	\$ 519,025	\$ 552,323
Income (Loss) Before Operating Transfers and Capital Contributions	\$ 84,266	\$ (332,117)	\$ 348,074	\$ 185,945	\$ 286,168	\$ 52	\$ 71,496	\$ 71,548
Operating transfers from (to) - other funds		172,881	17,346	(388,200)	(197,973)	5,000		5,000
								(192,973)
Increase (Decrease) in Net Assets	\$ 84,266	\$ (159,236)	\$ 365,420	\$ (202,255)	\$ 88,195	\$ 5,052	\$ 71,496	\$ 76,548
Net assets at January 1, 2007	2,864,890	1,417,978	977,627	965,833	6,226,328	659,915	678,074	1,337,989
								7,564,317
NET ASSETS AT DECEMBER 31, 2007	\$ 2,949,156	\$ 1,258,742	\$ 1,343,047	\$ 763,578	\$ 6,314,523	\$ 664,967	\$ 749,570	\$ 1,414,537
								7,729,060

Note: The fiscal year of Gogebic County Transit presented above is the period from October 1, 2006 to September 30, 2007.

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2007

	Major Funds				Nonmajor Funds			
	Medical Care Facility	Operating	Airport Improvement	Forestry and Parks Commission	Total Major Funds	Fair Board	Gogebic County Transit	Total Nonmajor Funds
Cash flows from operating activities:								
Cash received from customers	\$ 8,085,185	\$ 513,942	\$ 7,850	\$ 522,858	\$ 9,129,835	\$ 133,590	\$ 55,086	\$ 188,676
Cash received from local unit		57,338	17,200		74,538			74,538
Cash paid to employees	(5,872,388)	(272,149)		(242,801)	(6,387,338)	(17,946)	(321,736)	(339,682)
Cash paid to suppliers	(2,176,209)	(412,042)	(295)	(53,340)	(2,641,886)	(136,780)	(99,841)	(236,621)
								(2,878,507)
Net Cash Provided by (Used in) Operating Activities	\$ 36,588	\$ (112,911)	\$ 24,755	\$ 226,717	\$ 175,149	\$ (21,136)	\$ (366,491)	\$ (387,627)
Cash flows from capital and related financing activities:								
Proceeds from sale of capital assets			\$ 150	\$	\$ 150		\$ 7,820	\$ 7,970
Acquisition of land, buildings and equipment	\$ (345,580)	\$ (51,210)	(18,615)	\$ (49,283)	(464,688)		(123,164)	(587,852)
Property tax collections	167,400				167,400			167,400
Principal paid on long-term debt			(14,545)		(14,545)			(14,545)
Interest paid			(1,887)		(1,887)			(1,887)
Capital grant received							123,164	123,164
Net Cash (Used in) Capital and Related Financing Activities	\$ (178,180)	\$ (51,210)	\$ (34,897)	\$ (49,283)	\$ (313,570)	\$ 0	\$ 7,820	\$ (305,750)
Cash flows from noncapital financing activities:								
Operating transfers in (to) other funds		\$ 172,881	\$ 18,931	\$ (388,200)	\$ (196,388)	\$ 5,000	\$	\$ (191,388)
State and federal grants						33,298	\$ 249,064	282,362
Property tax collections							135,122	135,122
Net Cash Provided by (Used in) Noncapital Financing Activities	\$ 0	\$ 172,881	\$ 18,931	\$ (388,200)	\$ (196,388)	\$ 38,298	\$ 384,186	\$ 422,484
Cash flows from investing activities:								
Purchase of certificates of deposit				\$ 194,655	\$ 194,655		\$ (53,487)	\$ (53,487)
Redemption of certificates of deposit				18,825	18,825		50,000	50,000
Interest earned							12,389	12,389
								31,214
Net Cash Provided by Investing Activities	\$ 0	\$ 0	\$ 0	\$ 213,480	\$ 213,480	\$ 0	\$ 8,902	\$ 222,382
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (141,592)	\$ 8,760	\$ 8,789	\$ 2,714	\$ (121,329)	\$ 17,162	\$ 34,417	\$ (69,750)
Cash and cash equivalents at January 1, 2007	1,609,398	15,045	70,149	46,592	1,741,184	8,385	137,056	1,886,625
CASH AND CASH EQUIVALENTS AT DECEMBER 31, 2007	\$ 1,467,806	\$ 23,805	\$ 78,938	\$ 49,306	\$ 1,619,855	\$ 25,547	\$ 171,473	\$ 1,816,875

COMBINING STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS (CONTINUED)

	Major Funds				Nonmajor Funds			Totals
	Medical Care Facility	Operating	Airport	Capital Improvement	Forestry and Parks Commission	Total Major Funds	Fair Board Gogebic County Transit	
Cash flows from operating activities:								
Operating income (loss)	\$ (80,907)	\$ (332,117)	\$ (70,917)	\$ 167,120	\$ 467,652	\$ 13,053	\$ (447,529)	\$ (797,596)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation	\$ 187,854	\$ 170,712	\$ 81,545	\$ 27,541	\$ 1,887	\$ 629	\$ 92,541	\$ 560,193
Interest expense								1,887
Provision for bad debts	629							629
Repairs and maintenance financed by grant awards administered by State of Michigan			11,513					11,513
(Increase) decrease in current assets:								
Accounts and grants receivable	(32,525)	18,180	5,500		(8,845)		(725)	(9,570)
Inventories	3,467	(6,552)			(3,085)			(3,085)
Prepaid expenses	39				39		559	598
Due from other funds			(4,773)		(4,773)	(137)	(137)	(4,910)
Increase (decrease) in current liabilities:								
Accounts payable and due to other funds	(110,725)	(11,985)		28,904	(93,806)	(806)	(750)	(95,362)
Accrued liabilities	68,756	48,851		3,152	120,759		2,466	123,225
Total adjustments	\$ 117,495	\$ 219,206	\$ 95,672	\$ 59,597	\$ 491,970	\$ 12,110	\$ 81,038	\$ 585,118
Net Cash Provided by (Used in) Operating Activities	\$ 36,588	\$ (112,911)	\$ 24,755	\$ 226,717	\$ 175,149	\$ (21,136)	\$ (366,491)	\$ (212,478)

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash payments for interest	\$ 1,887	\$ 1,887
Noncash financing activities - Equipment purchased directly by Grant Administrator	\$ 406,001	\$ 406,001

Note: The fiscal year of Gogebic County Transit presented above is the period from October 1, 2006 to September 30, 2007.

COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2007

	Delinquent Tax Revolving Fund				
	Number				
I	2	3	4	5	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 303,364	\$ 124,636	\$ 34,318	\$ 1,305,393	\$ 911,849
Delinquent taxes receivable				89,132	590,524
					679,656
	<u>\$ 303,364</u>	<u>\$ 124,636</u>	<u>\$ 34,318</u>	<u>\$ 1,394,525</u>	<u>\$ 1,502,373</u>
					<u>\$ 3,359,216</u>
NET ASSETS					
Net assets - Unrestricted	<u>\$ 303,364</u>	<u>\$ 124,636</u>	<u>\$ 34,318</u>	<u>\$ 1,394,525</u>	<u>\$ 1,502,373</u>
					<u>\$ 3,359,216</u>

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - INTERNAL SERVICE FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2007

	Delinquent Tax Revolving Fund					
	Number					Total
	1	2	3	4	5	
Revenues:						
Taxes:						
Penalties and interest on taxes	\$ 1,118	\$	\$ 31,354	\$ 89,679	\$ 76,150	\$ 198,301
Other	46	\$ 64,582	15,843	28,573	3,272	112,316
Total Operating Revenues	\$ 1,164	\$ 64,582	\$ 47,197	\$ 118,252	\$ 79,422	\$ 310,617
Operating expenses - administrative expenses	3,860	16,809		19		20,688
Operating Income (Loss)	\$ (2,696)	\$ 47,773	\$ 47,197	\$ 118,233	\$ 79,422	\$ 289,929
Interest and dividends earned	14,942	2,510	22,605	57,321	22,951	120,329
Transfers in (out):						
Internal Service Funds			(1,400,000)		1,400,000	
Increase (Decrease) in Net Assets	\$ 12,246	\$ 50,283	\$ (1,330,198)	\$ 175,554	\$ 1,502,373	\$ 410,258
Net assets at January 1, 2007	291,118	74,353	1,364,516	1,218,971		2,948,958
NET ASSETS AT DECEMBER 31, 2007	\$ 303,364	\$ 124,636	\$ 34,318	\$ 1,394,525	\$ 1,502,373	\$ 3,359,216

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2007

	Delinquent Tax Revolving Fund				
	Number				
	1	2	3	4	5
	Total				
Cash flows from operating activities:					
Property tax collections	\$ 1,167		\$ 104,827	\$ 532,218	\$ 979,623
Other revenues	46	\$ 64,582	15,843	28,573	3,272
Cash paid to local units					112,316
Cash paid to suppliers	(3,860)	(16,809)		(19)	(1,493,997)
					(20,688)
Net Cash Provided by (Used in) Operating Activities	\$ (2,647)	\$ 47,773	\$ 120,670	\$ 560,772	\$ (511,102)
Cash flows from noncapital financing activities - Advances from (to) other funds			(1,400,000)		1,400,000
Cash flows from investing activities - Interest and dividends earned	14,942	2,510	22,605	57,321	22,951
					120,329
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 12,295	\$ 50,283	\$ (1,256,725)	\$ 618,093	\$ 911,849
Cash and cash equivalents at January 1, 2007	291,069	74,353	1,291,043	687,300	2,343,765
CASH AND CASH EQUIVALENTS AT DECEMBER 31, 2007	\$ 303,364	\$ 124,636	\$ 34,318	\$ 1,305,393	\$ 911,849
					\$ 2,679,560
Cash flows from operating activities:					
Operating income (loss)	\$ (2,696)	\$ 47,773	\$ 47,197	\$ 118,233	\$ 79,422
Adjustments to reconcile operating income to net cash provided by (used in) operating activities - (Increase) decrease in delinquent taxes receivable	49		73,473	442,539	(590,524)
					(74,463)
Net Cash Provided by (Used in) Operating Activities	\$ (2,647)	\$ 47,773	\$ 120,670	\$ 560,772	\$ (511,102)
					\$ 215,466

The accompanying notes are an integral part of the financial statements.

COMBINING BALANCE SHEET - AGENCY FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2007

	Agency Funds			
	Library Penal Fine Fund	Trust and Agency Fund	Voluntary Employees Beneficiary Association	Total
ASSETS				
Temporary investments	\$ 74,422	\$ 678,430	\$ 260,108	\$ 1,012,960
LIABILITIES				
Due State of Michigan		\$ 4,338		\$ 4,338
Due to other funds		23,401		23,401
Undistributed receipts	\$ 74,422	266,124	\$ 260,108	600,654
Undistributed tax collections		384,567		384,567
	\$ 74,422	\$ 678,430	\$ 260,108	\$ 1,012,960

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF CHANGES IN

GOGEBIC COUNTY,

Year ended

	Library Penal Fine Fund			
	Balance at January 1, 2007	Additions	Deductions	Balance at December 31, 2007
ASSETS				
Temporary investments	<u>\$ 81,150</u>	<u>\$ 147,113</u>	<u>\$ 153,841</u>	<u>\$ 74,422</u>
LIABILITIES				
Due State of Michigan				
Due to other funds				
Undistributed receipts	<u>\$ 81,150</u>	<u>\$ 147,113</u>	<u>\$ 153,841</u>	<u>\$ 74,422</u>
Undistributed tax collections				
	<u>\$ 81,150</u>	<u>\$ 147,113</u>	<u>\$ 153,841</u>	<u>\$ 74,422</u>

NOTE: Detail of additions and deductions of Trust and Agency Fund liabilities is not available.

The accompanying notes are an integral part of the financial statements.

ASSETS AND LIABILITIES - AGENCY FUNDS

MICHIGAN

December 31, 2007

Trust and Agency Fund				Voluntary Employee's Beneficiary Association		
Balance at January 1, 2007	Additions	Deductions	Balance at December 31, 2007	Balance at January 1, 2007	Additions	Balance at December 31, 2007
<u>\$ 837,233</u>	<u>\$ 10,935,700</u>	<u>\$ 11,094,503</u>	<u>\$ 678,430</u>	<u>\$ 231,391</u>	<u>\$ 28,717</u>	<u>\$ 260,108</u>
\$ 6,203 }			\$ 4,338			
63,796 }	\$ 10,935,700	\$ 11,094,503	23,401			
234,410 }			266,124	\$ 231,391	\$ 28,717	\$ 260,108
<u>532,824 }</u>			<u>384,567</u>			
<u>\$ 837,233</u>	<u>\$ 10,935,700</u>	<u>\$ 11,094,503</u>	<u>\$ 678,430</u>	<u>\$ 231,391</u>	<u>\$ 28,717</u>	<u>\$ 260,108</u>

STATEMENT OF PLAN NET ASSETS - PENSION TRUST FUND

GOGEBIC COUNTY, MICHIGAN

December 31, 2007

ASSETS			
Investments, at fair value:			
Money market funds	\$	172,598	
Mutual funds		<u>38,656,045</u>	\$ 38,828,643
Accounts receivable			<u>1,386</u>
			<u>\$ 38,830,029</u>
NET ASSETS			
Net assets held in trust for pension benefits			<u>\$ 38,830,029</u>

The accompanying notes are an integral part of the financial statements.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2007

Federal Grantor/ Pass-through Grantor/ Program Title	Federal Catalog of Domestic Assistance Number	Federal Expenditures
PRIMARY GOVERNMENT		
<u>U.S. Department of Housing and Urban Development</u>		
Passed through State of Michigan Department of Housing Development:		
Community Development Block Grant - MSC 2005-0738-HOA	14.228	\$ 95,175
<u>U.S. Department of Transportation</u>		
Passed through State of Michigan Department of Transportation:		
Airport Improvement Program - C-26-0050-1205	20.106	\$ 301,951
Airport Improvement Program - B-26-0050-0701	20.106	4,042
Airport Improvement Program - B-26-0050-1307	20.106	36,940
Section 18 Capital Assistance 2002-0039/Z7	20.509	49,498
Section 18 Capital Assistance 2002-0039/Z11	20.509	49,034
Section 18 Operating Assistance 2007-0212/Z1/R1	20.509	71,006
Section 18 Operating Assistance 2002-0039/Z10/R1	20.509	1,415
Section 18 Operating Assistance 2002-0039/Z8/R1	20.509	49
Total U.S. Department of Transportation		\$ 513,935
<u>U.S. Department of Agriculture</u>		
Community Facilities Grant - Equipment	10.766	\$ 15,000
Community Facilities Grant - Equipment	10.766	22,000
Community Facilities Grant - Weather Transmitter	10.766	71,642
Total U.S. Department of Agriculture		\$ 108,642
<u>U.S. Department of Justice</u>		
DEA Seizure grant	16.UNKNOWN	10,948
<u>U.S. Department of Health and Human Services</u>		
Passed through State of Michigan Department of Human Services:		
Prosecuting Attorney Legal Support Contract	93.563	\$ 40,316
Cooperative Reimbursement CSFOC 07-27001	93.563	115,901
Cooperative Reimbursement CSFOC 08-27001	93.563	29,264
Performance Incentive CSFOC 07-27001	93.563	22,059
Medical Incentive CSMED 07-27001	93.563	7,293
Total U.S. Department of Health and Human Services		\$ 214,833
<u>Other Federal Assistance</u>		
Direct Program - Department of the Interior - payment in lieu of taxes	15.226	\$ 307,281
Passed through State of Michigan - Department of State Police:		
2007 Emergency Management Performance	97.042	5,164
2006 Emergency Management Performance	97.042	1,564
2005 Law Enforcement Terrorism	97.067	3,221
2005 Homeland Security Equipment	97.067	5,342
Total Other Federal Assistance		\$ 322,572
Total Primary Government Expenditures of Federal Awards		\$ 1,266,105

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Federal Grantor/ Pass-through Grantor/ Program Title	Federal Catalog of Domestic Assistance Number	Federal Expenditures
COMPONENT UNITS		
<u>U.S. Department of Transportation</u>		
Direct - U.S. Department of Interior:		
Highway Research, Planning and Construction:		
Bureau of Indian Affairs - AGF2007013	20.205	\$ 258,678
Administered by State of Michigan Department of Transportation:		
Critical Bridge Funds - Project Number 86397A	20.205	262,742
Surface Transportation Program - Project Number:	20.205	
78870A		733,162
83398A		519,400
Passed through State of Michigan Department of Transportation:		
Federal "D" Funds - Project Number 73537A	20.205	70,129
Surface Transportation Program - Project Number:	20.205	
86845A		71,977
86848A		71,711
86850A		<u>60,977</u>
Total U.S. Department of Transportation		\$ 2,048,776
<u>U.S. Department of Health and Human Services</u>		
Passed through State of Michigan Department of Community		
Mental Health:		
Strong Families/Safe Children	93.556	\$ 901
OBRA	93.778	8,789
MICHild	93.767	<u>2,287</u>
Total U.S. Department of Health and Human Services		\$ 11,977
<u>U.S. Department of Education</u>		
Passed through State of Michigan Department of Labor and		
Economic Growth - MRS Grant	84.126	15,460
<u>U.S. Department of Veterans Affairs</u>		
Passed through State of Michigan Department of Community		
Mental Health:		
Veterans Medical Services	64.009	<u>20,553</u>
Total Component Units Expenditures of Federal Awards		\$ 2,096,766
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 3,362,871</u>

NOTE: The State of Michigan Department of Transportation, as an agent of the Federal Highway Administration, is responsible for controlling the receipts and disbursements related to the funds for the above component unit projects.

The accompanying notes are an integral part of this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2007

I. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Gogebic County, Michigan, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

2. Loans Outstanding - Gogebic County, Michigan, had no loan balances outstanding at December 31, 2007.

3. Subrecipients

Of the federal expenditures presented in the schedule, Gogebic County, Michigan, provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant	14.228	\$95,175

4. The U.S. Department of Transportation Programs, Federal C.F.D.A. Numbers 20.205 and 20.106 and the Department of Interior Program, Federal C.F.D.A. Number 15.226 are considered Type A programs and all other programs are considered Type B programs. The Type A programs were selected as major programs using the risk-based audit approach.

5. Component Unit Excluded from Schedule of Expenditures of Federal Awards

Western Upper Peninsula Manpower Consortium, a component unit of Gogebic County, Michigan, contracted to have its own Single Audit for its year ended June 30, 2007. Accordingly, the Schedule of Expenditures of Federal Awards excludes any information pertaining to Western Upper Peninsula Manpower Consortium. A copy of the Consortium's Schedule of Expenditures of Federal Awards can be obtained at their offices at 100 West Cloverland Drive, Ironwood, Michigan 49938.

SCHEDULE OF AIRPORT PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2007

Passenger facility charges collected	\$ 4,773
Passenger facility charges expended - reimbursement of prior project costs.	<u>4,773</u>
Excess of passenger facility charges collected over passenger facility charges expended	<u>\$ 0</u>

SUPPLEMENTAL
REPORTS

JOKI, MAKELA & POLLACK, P.L.L.C.

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IRONWOOD, MICHIGAN 49938-2027

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Commissioners
Gogebic County, Michigan
Bessemer, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Gogebic County, Michigan, as of and for the year ended December 31, 2007, which collectively comprise Gogebic County, Michigan's basic financial statements and have issued our report thereon dated June 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and with the standards prescribed by the State Treasurer.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gogebic County, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gogebic County, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Gogebic County, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Gogebic County, Michigan's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Gogebic County, Michigan's financial statements that is more than inconsequential will not be prevented or detected by

Gogebic County, Michigan's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2007-1 and 2007-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Gogebic County, Michigan's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gogebic County, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Gogebic County, Michigan in a separate letter dated June 24, 2008.

Gogebic County, Michigan's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Gogebic County, Michigan's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Joti, Mahala & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
June 24, 2008

JOKI, MAKELA & POLLACK, P.L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Commissioners
Gogebic County, Michigan
Bessemer, Michigan

Compliance

We have audited the compliance of Gogebic County, Michigan, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. Gogebic County, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of Gogebic County, Michigan's management. Our responsibility is to express an opinion on Gogebic County, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and with the standards prescribed by the State Treasurer. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Gogebic County, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Gogebic County, Michigan's compliance with those requirements.

In our opinion, Gogebic County, Michigan, complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of Gogebic County, Michigan, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Gogebic County,

Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Gogebic County, Michigan's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Joki, Mahela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
June 24, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2007

SECTION I - SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Gogebic County, Michigan.
2. There were two significant deficiencies disclosed during the audit of the financial statements to be reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Audit Standards*.
3. No instances of noncompliance material to the financial statements of Gogebic County, Michigan, were disclosed during the audit.
4. There were no deficiencies in internal control over compliance disclosed during the audit of the major federal award programs to be reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Gogebic County, Michigan, expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for Gogebic County, Michigan, to be reported in Section III of this schedule.
7. The programs tested as major programs are the U.S. Department of Transportation Program under C.F.D.A. Numbers 20.205 and 20.106 and the Department of Interior Program, Federal C.F.D.A. Number 15.226.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Gogebic County, Michigan, was determined to be a low-risk auditee.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

SECTION II - FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES

2007 - 1 Public Act 275 of 1980 Disclosure – Deficit Fund Balance

Criteria - Public Act 275 of 1980 prohibits local units of government from having a fund balance deficit in any of its funds.

Condition – At December 31, 2007, there were deficit fund balances in three individual funds: Michigan Justice Training, Child Care Fund and Friend of the Court Fund.

Effect – We consider this condition to be a significant deficiency. The County is required to file a deficit elimination plan with the State Treasurer.

Cause – The County's year-end budget amendments did not take into account unexpected accounts payable.

Recommendation – We recommend the County make appropriate transfers from other funds to eliminate the deficits. The County should consider all accounts payable at the end of each year so that future fund balance deficits can be avoided.

Management's Response – County officials have filed a deficit elimination plan with the State Treasurer which will eliminate the deficits.

2007 - 2 Ability to Prepare Financial Statements and Related Note Disclosures

Criteria – Local units of government are required to possess the ability to prepare its financial statements and related disclosures in accordance with generally accepted accounting principles.

Condition – Like other local units of government of similar size, limited financial summaries and abbreviated financial statements are made available for the Board of Commissioners. The County relies on its auditors to draft its financial statements and related disclosures in accordance with generally accepted accounting principles. Administrator and Members of the Commission review and accept the financial statements on behalf of the County.

Effect – We consider this condition to be a significant deficiency.

Cause – The County's accounting staff is not centrally located for all County funds and component units. As a result, the County does not have staff familiar enough in all aspects of the County reporting entity to be able to draft the County's financial statements.

Recommendation – The hiring of additional personnel to prepare the financial statements would not be cost effective. Members of the Commission should remain involved in the financial reporting process to provide oversight and independent review functions.

Management's Response – The County agrees and will continue to use the auditor's assistance in drafting its financial statements and will remain involved in the financial reporting process.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM
AUDIT

There were no findings or questioned costs disclosed during the audit of the major federal award program.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2007

There were no findings or questioned costs during the prior year major federal award program audit.